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LEGISLATIVE ASSEMBLY.

Monday, 11th December, 1933.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

QUESTIONS AND ANSWERS.

GOLD EXPORTED FROM, AND IMPORTED INTO, INDIA.

1316. ***Mr. M. Maswood Ahmad:** Will Government be pleased to state the total weight and total value in rupees of gold (i) exported from, and (ii) imported into, India since Great Britain went off the gold standard up to the 31st October, 1933?

The Honourable Sir George Schuster: Exports and imports of gold from the 22nd September, 1931, to the 30th September, 1933, the latest date up to which Monthly Sea-borne Trade Accounts have been received, were as follows:

Exports=about 19½ million fine ounces, value about Rs. 154½ crores.

Imports=about 486,224 fine ounces, value about Rs. 3½ crores.

Mr. M. Maswood Ahmad: Will Government be pleased to say how long are they going to allow this export of gold without any restriction on it?

The Honourable Sir George Schuster: No, Sir. The Government will not be pleased to give any promise in that direction.

RECOMMENDATIONS OF THE WAR PENSIONS COMMITTEE.

1317. ***Sardar Sant Singh:** Does the recommendation No. XXI of the orders of Government on the recommendation of the War Pensions Committee cover the cases which were disposed of by the Government of India before this recommendation was made by the Committee?

Mr. G. R. F. Tottenham: Yes.

ALLEGATIONS AGAINST THE CONTRACTOR OF THE LICENSED COOLIES AT THE LAHORE RAILWAY STATION.

1318. ***Sardar Sant Singh:** (a) Is it a fact that licenced porter (coolly) contractors on the North Western Railway are governed by the contract form No. A. C.-23?

(b) Is it a fact that the provision is made in this contract form that the contractor should not charge more than Rs. 2 per head per mensem from the coolies engaged by him?

(c) Is it a fact that allegations were made by the coolies against the contractor at Lahore that he was charging about eleven rupees a month from each cooly, including 0-2-0 a day, i.e., Rs. 3-12-0 per head per month for smoking fund from all coolies, including Sikh coolies?

(d) Will Government please lay on the table of this House the letter of the Sikh Rights Protection Society, Lahore, protesting against this tax on Sikh coolies, and copies of the questions for the North Western Railway Advisory Committee not admitted by the Agent?

(e) Is it a fact that this question was brought to the notice of the Railway authorities for enquiry and discussion by the North Western Railway Advisory Committee, and that the Agent refused to intervene on the ground that the coolies were not the employees of the railway? Is not the charge of Rs. 11 or so instead of Rs. 2 in contravention of the terms of the agreement of contract? If it is, why did the Agent, North Western Railway, refuse an enquiry?

(f) Is it a fact that about forty or fifty coolies formed a union under the Trade Union Act, and were deprived of the badges by the coolies contractor for this action?

(g) Is it a fact that the matter was referred to the Registrar of Trade Unions, Punjab, by the North Western Railway Porters' Union (Registered) for appointment of a Court of Inquiry under the Trade Disputes Act, and that no action has so far been taken by the Punjab Government, and are Government aware that the poor coolies who were deprived of their badges are starving?

(h) Will Government please state the reasons for not appointing a Court of Inquiry?

Mr. P. R. Rau: I am obtaining certain information from the Agent, North Western Railway necessary for answering this question and shall lay a reply on the table in due course.

1319.*

MUSLIM REPRESENTATION IN THE FINANCE DEPARTMENT.

1320. ***Dr. Ziauddin Ahmad:** (a) When were the Government of India orders regarding communal representation in the Imperial Secretariat Services issued?

(b) How many vacancies have occurred in the Finance Department among (i) Superintendents (ii) Assistants and (iii) Second Division Clerks since the issue of those orders and how have they been filled?

(c) Is it a fact that the Finance Department, while filling the vacancies, have ignored the Government orders in the matter of Muslim representation?

The Honourable Sir George Schuster: (a) In 1926.

(b) There have been since 1926, eight vacancies in the Superintendents' grade which have been filled by the promotion of four Hindus, one Muslim, one Indian Christian, one Anglo-Indian and one European Assistant.

*This question was withdrawn by the questioner.

There have been 17 vacancies in the Assistants' grade which have been filled by the recruitment of 11 Hindus and five Muslims, either from other offices or by the Public Service Commission, and by the promotion of one Muslim from the Second Division.

There have been three vacancies in the Second Division which have been filled by the recruitment of two Hindus from other offices and the promotion of one Sikh from the Third Division.

(c) No. Appointments to the grade of Superintendents are made purely by selection from the Assistants irrespective of race or community. In the Assistants' grade Muslims obtained rather more than one-third of the vacancies and in the Second Division, where there have been only three vacancies, one appointment has gone to a Sikh, a member of a minority community.

DISCRIMINATION AGAINST INDIANS IN SOUTH AFRICA.

1321. ***Dr. Ziauddin Ahmad:** (a) Are Government aware of the recent judgment of the Supreme Court of South Africa in which the Court held that the Postmaster General had the right to direct that Indians be not served at the Post Office counters where the Europeans are served?

(b) What action do Government propose to take in this matter?

(c) Is discrimination of this kind permissible in the Dominions forming part of the British Empire?

(d) Are Government prepared to take effective measures in this regard to introduce the principle of discrimination?

Mr. G. S. Bajpai: (a) Yes.

(b) The Agent of the Government of India in South Africa has already made informal representations to the Minister of Posts and Telegraphs.

(c) So far as the Government of India are aware, such discrimination is not practised in any other Dominion.

(d) Government think that the policy which they are now following deserves further trial; but if the Honourable Member has any particular policy in mind, Government will be glad to examine it to see to what extent it can be profitably adopted.

LEVY OF WATER METER RENT FROM THE OCCUPIERS OF GOVERNMENT QUARTERS IN NEW DELHI.

1322. ***Mr. Muhammad Muazzam Sahib Bahadur:** (a) Are Government aware that the New Delhi Municipal Committee has decided to levy rent for the water meters which they have recently installed in every Government quarter and bungalow? If so, what necessitated the Municipality doing so?

(b) How much does each water meter cost?

(c) What is the rent that has been fixed by the municipality and on what basis has it been fixed?

(d) Are Government aware that there is a great resentment among the tenants of Government quarters, particularly the low paid clerks, over this rent charge?

(e) Will Government please name the municipalities in India in the centrally administered areas which have installed water meters and charge such exorbitant rent?

(f) Is it a fact that these water meters have been installed by the municipality in its own interests and not in the interests of the tenants? If it is not so, in whose interests have these been installed? If it is in the interest of the tenants, did Government obtain the consent of the tenants before the installation of the meters?

(g) Are Government aware that previously Government clerks used to be charged Annas 8 only for the water supply in orthodox Government quarters and later on this charge was increased from Annas 8 to Rs. 2 per mensem and now an additional rent will bring the charge for water supply to Rs. 3 per mensem? Are Government aware that this charge is too much for a low paid clerk?

(h) Are Government aware that by allowing the municipality to charge such a high rent for the water meters they are creating great dissatisfaction among the tenants of Government quarters who are almost all Government servants?

Mr. G. S. Bajpai: (a) to (f) & (h). I would refer the Honourable Member to the replies given to Mr. Maswood Ahmad's starred questions Nos. 1312 and 1313 on the 7th December 1933, and to the connected supplementaries.

(g) Up to the 22nd July, 1926, the charges were annas 8 per mensem per quarter. The subsequent scale of charges will be found in the reply given to part (d) of Mr. Maswood Ahmad's starred question No. 1312 on the 7th December, 1933.

PROVISION OF DEMARCATING HEDGES IN THE UNORTHODOX QUARTERS ON THE CANTONMENT ROAD, NEW DELHI.

1323. ***Mr. Bhuput Singh:** (a) Are Government aware that the tenants of the unorthodox quarters on the Cantonment Road in New Delhi are much inconvenienced and are very often put to loss owing to there being a common entrance gate and a common compound for each of the two adjacent quarters which prevent them from checking unauthorised persons and stray beasts from gaining access to the quarters?

(b) Are Government aware that occasions for friction frequently arise between two tenants of different castes, creeds and temperaments living side by side in the same compound, over which neither of them has complete control?

(c) Do Government propose to put up, as early as possible, inexpensive, demarcating hedge between two contiguous quarters and to provide separate gates for each quarter?

The Honourable Sir Frank Noyce: (a) and (b). No.

(c) The partition of the compounds of unorthodox quarters by means of hedges was one of several alterations and improvements suggested by the Imperial Secretariat Association in 1929. The cost of the work required, including the provision of separate fences and gates, would however be considerable and I am not prepared in present financial conditions to make any promise as to its execution.

ALLEGATIONS AGAINST THE RAILWAY STAFF AT THE DELHI RAILWAY STATION.

1324. ***Khan Bahadur Haji Wajihuddin:** (a) Has the attention of Government been drawn to the press message published in the *Daily Adil* of

Delhi, dated the 26th November, 1933, on page 6 under the heading "Delhi station par zaireen-i-khana Kaba ke sath bad-salooki" "Railway mulazmin sanani gari men ghus gai"?

(b) Will Government be pleased to state the true facts of the incident, the names of the persons ill-treated and the action taken against them by the Railway authorities?

(c) If no action has been taken in the matter, why? Are Government prepared to consider the advisability of appointing an independent Enquiry Committee for a thorough investigation of the matter?

(d) Are Government aware that a number of passengers are put to great inconvenience daily by the coolies at Delhi Main Railway Station who generally demand much higher wages than those fixed by the Railway authorities for the carriage of luggage?

(e) With a view to remove this complaint of passengers, do Government propose to arrange adequate supervision by Railway officers in the matter?

Mr. P. R. Rau: (a) Yes, by the courtesy of the Honourable Member.

(b) and (c). I place on the table a copy of a report from the Divisional Superintendent, Delhi, on the matter. Government do not consider that any special enquiry is necessary.

(d) and (e). I have sent a copy of these questions to the Agent, North Western Railway, for any action he may consider necessary.

COPY OF A LETTER NO. A/4, DATED THE 5TH DECEMBER 1933, FROM THE DIVISIONAL SUPERINTENDENT, DELHI, TO THE AGENT, NORTH WESTERN RAILWAY, LAHORE.

Reference your letter No. 97-C./557 of the 4th instant. No report of the alleged occurrence has up to the present been received by me, but on receipt of your letter under reply I obtained a copy of the journal in question and instituted enquiries into the matter. It would appear that on the 23rd November Ticket Collector Fazal Ahmed of Delhi entrained some female members of his family who were proceeding to Mecca in the women's compartment by 61 Up passenger, and that while doing so he had an altercation with some other passengers whose family members were also travelling in the same women's compartment, and that this altercation was apparently fairly serious. The only member of the station staff of Delhi who knows anything about the matter is Ticket Collector Shih Charan who states that while he was on the platform at the time he heard there had been some trouble in connection with passengers in 61 Up, and that he saw Ticket Collector Fazal Ahmed who informed him that he had been assaulted by some passengers in this train. The Station Master and the Assistant Station Master on duty know nothing of the affair, and definitely state that no report whatever was made to them. Enquiries made in the Police Station at Delhi show that no complaint was lodged there. The Police Sergeant A. D. Rushton referred to has been removed from Delhi a few days ago, and his statement cannot therefore be obtained. If as alleged he was present when this affair took place, he made no report in his diary at the Police Station. The Ticket Collector Fazal Ahmed who is concerned in this case is on leave at present and I am therefore unable to obtain his statement.

PROVISION OF QUARTERS TO THE INSPECTORS OF ACCOUNTS ON THE EAST INDIAN RAILWAY.

1325. ***Mr. E. H. M. Bower:** (a) Will Government be pleased to state whether the Inspectors of Accounts employed on the East Indian Railway:

(i) under the Company Rules,

(ii) under the Oudh and Rohilkund Railway Rules, and

(iii) those appointed after the 1st January, 1925, are provided with quarters?

(b) If the answer to part (a) be in the negative, will Government state why they are not provided with quarters like the Inspectors of all other departments?

(c) Do Government propose to issue instructions to have these Inspectors provided with quarters? If not, why not?

Mr. P. R. Rau: (a) The Inspectors of Accounts referred to in the question are provided with Government quarters when available. For these they have to pay rent.

(b) and (c). The duty of Inspectors of Accounts is not such that their residence in any particular locality can be considered necessary in the interests of the working of the railways so as to render it necessary for Railway Administration to find accommodation for the staff.

RULES FOR THE RECRUITMENT AND TRAINING OF SUBORDINATE STAFF ON THE EAST INDIAN RAILWAY.

1326. ***Mr. E. H. M. Bower:** (a) In connection with the reply to Lt.-Col. Sir Henry Gidney's starred question No. 908 (b) given on the 24th March, 1933, will Government state whether the Agent of the East Indian Railway has since decided to publish the rules for the recruitment and training of subordinate staff on the East Indian Railway in the *East Indian Railway Gazette*?

(b) If the answer to part (a) be in the negative, will Government state why these rules are withheld from the staff concerned?

(c) Do these rules govern the posting of subordinates to officiating appointments?

(d) If the answer to part (c) be in the negative, do Government propose to issue instructions to the railway authorities concerned to frame the necessary rules? If not, why not?

(e) Is it a fact that no provision has been made in these rules for the appointment and promotion of Assistant Trains Examiners and Trains Examiners?

(f) If the answer to part (e) be in the affirmative, do Government propose to issue instructions to the railway authorities concerned to frame the necessary rules? If not, why not?

(g) Is it a fact that in these rules under the caption "Guards and the normal channels of their promotions", mention of Gunner Guards and Pilot Guards has been omitted?

(h) Is it a fact that there are different scales of pay for Gunner Guards, Pilot Guards and Guards?

(i) If the answer to part (h) be in the affirmative, will Government please state the salaries of these posts, Company and State scales separately?

(j) Will Government please state whether vacancies in the Guards' list are filled on Divisions by recruitment:

(i) of outsiders without previous experience, and

(ii) sometimes by railway staff from other departments to the exclusion of Gunner Guards and Pilot Guards? If so, why?

(k) Do Government propose to issue instructions to the railway authorities concerned to frame necessary rules for the promotion of Gunner Guards and Pilot Guards? If not, why not?

Mr. P. B. Rau: With your permission, I shall reply to this and the next two questions together. I am calling for certain information and will lay a reply on the table in due course.

**RULES FOR THE RECRUITMENT AND TRAINING OF SUBORDINATE STAFF
ON THE EAST INDIAN RAILWAY.**

†1327. ***Mr. E. H. M. Bower:** (a) Is it a fact that in the rules for the recruitment and training of subordinate staff on the East Indian Railway no mention has been made of Relieving Guards?

(b) Are Relieving Guards utilised principally to relieve Assistant Station Masters, Assistant Yard Masters and Assistant Controllers?

(c) Will Government please state what principles govern the promotion of Guards to the posts of Relieving Guards?

(d) Is it a fact that when Guards, Grade II, and Gunner Guards are promoted to the post of Relieving Guards they are given the maximum salary of Guards in Grade I?

(e) Is it a fact that the post of Relieving Guard is not a 'Selection post'?

(f) Do Government propose to issue instructions to the authorities concerned to frame suitable rules for promotion of subordinates to the post of Relieving Guards? If not, why not?

**RULES FOR THE RECRUITMENT AND TRAINING OF SUBORDINATE STAFF
ON THE EAST INDIAN RAILWAY.**

†1328. ***Mr. E. H. M. Bower:** (a) Is it a fact that in the rules for the recruitment and training of subordinate staff on the East Indian Railway, no mention has been made of Crewmen, Crew-in-charge, Travelling Ticket Inspectors, Travelling Ticket Examiners and Head Ticket Collectors?

(b) Will Government please state the avenue of promotions in these posts?

(c) Are promotions to vacancies in higher appointments in these ratings confined to men serving in the Divisions in which they occur, or are they open to all Divisions?

(d) Do Government propose to issue instructions to the railway authorities concerned to frame rules governing such promotions?

PASS RULES FRAMED BY THE RAILWAY BOARD.

1329. ***Mr. S. G. Jog:** (a) Will Government be pleased to enquire and state whether it is a fact that the Railway Board have recently framed pass rules, under which gazetted officers are entitled only to six set of privilege passes?

(b) If so, on what occasion do they use these privilege passes?

(c) Are they provided with metal or card passes to travel from any to any station with their wives, children and other family members? If so, what is the sense and meaning of six set of first class privilege passes?

(d) Are they authorised to travel, in addition to their wives and family, with dogs, cats and such other live stock on their metal or card pass, and carry the same in their respective carriages or saloons? If so, why?

(e) Are officers considered to be travelling on duty with metal or card pass and accompanied by their wives? If so, what inspection or duty do their wives perform, and will a copy of their inspection report or note be laid on the table of this House?

(f) Are subordinate staff also permitted to take their wives on card pass when proceeding on duty or inspection? If not, why not?

Mr. P. R. Rau: (a) Yes, this restriction was introduced on the 1st April, 1933; there was no such limit before.

(b) These passes are intended for use for journeys made otherwise than on duty.

(c) Metal and card passes are intended for journeys on duty. On certain railways they cover an officer's wife and family if travelling with him. The privilege passes are, as I have already explained, intended for journeys made otherwise than on duty.

(d) I understand there is no order prohibiting officers when travelling on a pass from carrying free domestic animals such as dogs or cats.

(e) Whether an officer's wife travels with him or not is irrelevant for the purpose of ascertaining whether he is travelling on duty.

(f) The answer to the first part of this question is, I understand in the negative. I cannot admit that the analogy of the practice with regard to officers is a sufficient justification for extending it to the subordinates.

Dr. Ziauddin Ahmad: What was the answer to part (d)?

Mr. P. R. Rau: No prohibition.

USE OF AN OFFICER'S CARRIAGE FOR JOY RIDES UNDER THE ORDERS OF THE DIVISIONAL SUPERINTENDENT, MORADABAD DIVISION, EAST INDIAN RAILWAY.

1330. ***Mr. S. G. Jog:** (a) Will Government be pleased to inquire and state whether it is a fact that officers of Moradabad (East Indian Railway) frequently use their carriages for joy rides? If not, will they please state for what purpose Carriage No. 2017, under the orders of the Divisional Superintendent, East Indian Railway, Moradabad, was hauled to and from Delhi on the 7th November, 1933?

(b) What were the movements of the officer in question entitled to use the said carriage on that day?

(c) Are the wife or family of an officer entitled to use the carriage by themselves? If so, under what authority?

(d) Is the privilege of such joy rides or to travel without ticket sanctioned for the subordinate staff, specially low paid staff? If not, why not?

(e) What is the result of the inquiry made in starred question No. 910 asked by Bhai Parma Nand, on the 13th September, 1933, relating to the use of an officer's carriage for joy rides under orders of the Divisional Superintendent, Moradabad Division, East Indian Railway?

(f) What action has been taken to prevent further loss of revenue and additional expenditure of haulage on account of the use of official carriages in such a manner?

Mr. P. R. Rau: (a), to (d) and (f). I have called for information from the Agent, East Indian Railway, and shall lay a complete reply on the table later.

(e) I would invite the Honourable Member's attention to the statement I laid on the table on the 5th December, 1933.

PERCENTAGE OF FAILURE OF STUDENTS IN THE RAILWAY SCHOOL OF TRANSPORTATION.

1331. ***Mr. S. G. Jog.** (a) What is the percentage of failure of students in each course in the Railway school of Transportation during 1931-32, 1932-33 and the half year 1933-34?

(b) How many students after having been declared as passed were considered by the present Superintendent as unfit for the respective appointments? If so, why?

(c) What are the marks obtained by each student during the term of office of the present Superintendent? If no marks are given, why not?

(d) What commercial and transportation experience had the Superintendent and where did he work as Commercial and Transportation Superintendent? If not, how can he judge?

(e) Is the Lecturer and the Examiner of students the same person? If so, why?

(f) What additional staff of Lecturer, Demonstrator, etc., has been engaged since his arrival? Was it essential? If so why was it not considered as such during the last Superintendent's tenure of office?

(g) Was the staff retrenched gazetted as such in the Extraordinary Gazette, dated the 24th June, 1933? If not, why not, and why was it retrenched without a proper notification?

(h) Were the retrenched or voluntarily retired hands recalled and was the period of their relief and return treated as leave without pay? If so, under what authority?

(i) Why should innocent subordinates suffer for the folly of the Superintendent?

(j) Do Government propose to disburse them the pay for the period of their forced absence? If not, why not?

Mr. P. R. Rau: I have called for certain information and will place a reply on the table of the House in due course.

EAST INDIAN RAILWAY TRAINING SCHOOL, CHANDAUSI.

1332. ***Mr. S. G. Jog:** (a) Has the attention of the Government been drawn to an article, dated the 15th October, 1933, published in the *Railway Radio* under the caption "East Indian Railway Training School, Chandausi" (Cutting sent to the Railway Department)?

(b) Is the Superintendent, Telegraph Training School, Chandausi required to travel extensively? If so, where and for what purpose?

(c) Is it a fact that the Superintendent is provided with a card pass? If so, why?

(d) What other card passes are issued to the Superintendent and staff and why?

(e) Is there a catering contractor for the School to supply the requirements of the students and the staff? If so, why are provision passes issued to the Superintendent and staff?

(f) Was it considered whether the staff and Superintendent could travel on cheque passes which could be had from the Station Master for purposes of official duty?

(g) Will Government please lay on the table the proceedings of the inquiry on the averted collision of the trolley with the train mentioned in the article referred to in part (a)? If not, will they please state under what circumstances was the trolley used by the Superintendent (Mr. R. F. Wood)? Who is responsible for the trolley in the night time? What are the code numbers exchanged between the two stations for line clear? Why was the driver only punished and not the Superintendent?

Mr. P. R. Rau: (a) Yes.

(b) to (g). I am making enquiries from the Agent, East Indian Railway, and shall lay a reply on the table in due course.

PLACING OF DISTRICT GAZETTEERS OF FOREIGN COUNTRIES IN THE IMPERIAL LIBRARY, CALCUTTA.

1333. ***Pandit Satyendra Nath Sen:** (a) Is it a fact that District Gazetteers of foreign countries are not available in the Imperial Library, Calcutta?

(b) If the answer to part (a) be in the affirmative, do Government propose to take steps to place the District Gazetteers of Great Britain, Ireland, United States of America and Canada in the Imperial Library at Calcutta? If not, why not?

Mr. G. S. Bajpai: (a) and (b). Government are not aware whether Foreign Governments have brought out publications like the Indian Gazetteers about their respective countries. But Year Books and similar publications which contain a great deal of general information about most foreign countries are available in the Imperial Library, Calcutta.

TRANSFER OF THE RAILWAY RATES ADVISORY COMMITTEE TO CALCUTTA.

1334. ***Pandit Satyendra Nath Sen:** (a) Is it a fact that the Railway Rates Advisory Committee has been reconstituted under the Chairmanship of Sir Zahid Suhrawardy and Mr. E. A. Sims as Member and Secretary, and that the headquarters of the Committee have been transferred to Calcutta?

(b) Will Government be pleased to state (i) the reasons for the retransfer of the Committee to Calcutta; (ii) the cost incurred due to the retransfer?

Mr. P. R. Rau: (a) Yes.

(b) (i) The headquarters have been transferred from Vizagapatam to Calcutta for administrative convenience.

(ii) I have called for information and will place a reply on the table in due course.

SELECTION OF STAFF IN THE OFFICE OF THE RAILWAY RATES ADVISORY COMMITTEE.

1335. *Pandit Satyendra Nath Sen: (a) Were there any promises and "Note of Assurance" left by the late President of the Railway Rates Advisory Committee?

(b) Are those promises and "Note of Assurance" strictly followed in selecting the staff?

Mr. P. B. Rau: I am not aware to what promises, etc., my Honourable friend is referring but in any case I do not think he intended to or was in a position to tie the hands of his successor.

RE-EMPLOYMENT OF THE RETRENCHED STAFF IN THE OFFICE OF THE RAILWAY RATES ADVISORY COMMITTEE.

1336. *Pandit Satyendra Nath Sen: Will Government please state whether the circular letter No. 1635-E, G., of the 30th December, 1932, regarding conditions of re-employment of the retrenched staff, is followed in the office of the Railway Rates Advisory Committee's Office? If not, why not?

Mr. P. B. Rau: Government have no reason to presume that their instructions are not being followed by the Railway Rates Advisory Committee.

RE-EMPLOYMENT OF THE RETRENCHED STAFF IN THE OFFICE OF THE RAILWAY RATES ADVISORY COMMITTEE.

1337. *Pandit Satyendra Nath Sen: (a) Will Government please state whether any staff after retrenchment preferred an appeal to the Government of India?

(b) Is it a fact that some juniors have been kept in the staff of the Railway Rates Advisory Committee's Office, in supersession of the claims of the seniors? If so, who are they and under what circumstances have they been allowed to supersede the claims of their seniors?

Mr. P. B. Rau: (a) The Railway Board have received appeals from two members of the staff.

(b) Government have no information. They must leave this to the discretion of the President.

RE-APPOINTMENT OF RETRENCHED STAFF AFTER THE RECONSTITUTION OF THE RAILWAY RATES ADVISORY COMMITTEE.

1338. *Pandit Satyendra Nath Sen: Has there been any reappointment after retrenchment after the reconstitution of the Railway Rates Advisory Committee? If so who are the men appointed and in what capacities?

Mr. P. B. Rau: I have called for information and will place a reply on the table in due course.

APPOINTMENT OF A REGISTRAR INSTEAD OF A PERSONAL ASSISTANT TO THE PRESIDENT OF THE RAILWAY RATES ADVISORY COMMITTEE.

1339. *Pandit Satyendra Nath Sen: (a) Will Government be pleased to state the reasons for retaining the post of Personal Assistant to President in addition to Member Secretary of the Railway Rates Advisory Committee?

(h) Do Government propose to appoint a Registrar instead of a Personal Assistant to the President, as in the case of the Rates Tribunal in England?

Mr. P. R. Rau: (a) The post was considered necessary for the due discharge of the work of the Committee.

(b) No.

APPOINTMENT OF RETRENCHED PERSONS OF THE RAILWAY RATES ADVISORY COMMITTEE.

1340. *Pandit Satyendra Nath Sen: Do Government propose to revert the pensionable persons of other departments and arrange appointments from suitable retrenched persons of the Railway Rates Advisory Committee?

Mr. P. R. Rau: No. Government are content to leave matters of detail of this sort to the President.

ACCIDENT ON THE EAST INDIAN RAILWAY BETWEEN DUMRI AND BURBEE STATIONS.

1341. *Pandit Satyendra Nath Sen: (a) What was the cause of the accident on the East Indian Railway between Dumri and Burbee on the 2nd May, 1933?

(b) Was there any enquiry about the accident by any committee of responsible officers and non-officers? If so, what was their finding about the cause of the accident?

(c) Will Government be pleased to lay on the table a copy of the report of the Enquiry Committee, if any?

(d) Will Government be pleased to state the names, with designation of the members, who formed the Committee of such enquiry, if any?

(e) How many persons were killed and injured in the accident?

(f) How many of the injured persons were treated in the Railway Hospitals and how many of the injured persons have been permanently incapacitated in spite of treatment in the Railway Hospitals?

(g) Is there any complaint against the District Medical Officer of negligence in treatment?

(h) Are there any X-ray arrangements, in the Railway Hospital where the injured were taken and treated? If not, was any injured person, requiring X-ray photograph of his injuries, detained in the hospital? If so, why?

Mr. P. R. Rau: (a) and (e). I would refer my Honourable friend to the full statement that I made on this subject in reply to question No. 29 by Mr. Gaya Prasad Singh on the 23rd August, 1933.

(b) and (d). A preliminary enquiry was held by Mr. Jones, Superintendent, Watch and Ward Department, Mr. Venables, Chief Engineer,

Mr. D. M. S. Robertson, Chief Operating Superintendent and Mr. D. H. Keelan, Deputy Chief Commercial Manager. Their finding was that the derailment was caused by the deliberate and malicious displacement of a rail from the outer line of the down track. A further enquiry was held by Mr. Sleigh, Senior Government Inspector whose finding I quoted in my reply referred to already.

(c) The preliminary enquiry was a purely deparmental enquiry and Government regret that they cannot lay on the table a copy of the report. My Honourable friend will find the detailed report by the Senior Government Inspector of Railways on this accident in the report on railway accidents which occurred during the half year ending 30th September, 1933. which is at present in print and copies of which will shortly be available in the Library of the House.

(f) Five persons were treated in the railway hospital, and from the records available, none of them were incapacitated.

(g) I am not aware of any such complaint.

(h) I am informed there are no X-ray arrangements in the railway hospital to which the injured were taken, but that they got X-ray treatment in the Patna hospital.

WATCH AND WARD SQUADS ON THE EAST INDIAN RAILWAY FOR CHECKING TICKETS.

1342. *Pandit Satyendra Nath Sen: (a) Will Government be pleased to state what has been the result of Watch and Ward Squads which operated on the East Indian Railway for the purpose of checking tickets?

(b) What was their total earning?

(c) How many cases were detected by them in respect of the following and the cash and credit earning affected (separately):

- (i) adults travelling without tickets;
- (ii) children travelling without tickets;
- (iii) over-riding with short journey tickets;
- (iv) travelling in higher class;
- (v) travelling with unbooked luggage or live stock or with partially booked luggage?

(d) How many Railway servants and mendicants were detected by them undertaking illicit journey?

(e) Is it a fact that the Watch and Ward authorities as a result of this independent check and on the practical experience gained by them have recommended that the Travelling Ticket Examiners would work better if taken away from Divisional control and placed under Head office?

(f) Will Government be pleased to lay on the table of this House a copy of the said report?

Mr. P. R. Rau: The information has been called for from the Agent, East Indian Railway, and will be placed on the table of the House when received.

**TRAVELLING WITHOUT TICKETS ON RAILWAY TRAINS AND TICKET
FRAUDS ON RAILWAYS.**

1343. *Pandit Satyendra Nath Sen: With reference to answers to starred questions Nos. 822 and 823, dated the 12th September, 1933, regarding travelling without ticket on railway trains and ticket frauds on railways, will Government be pleased to state:

- (a) if it is not the function of the Accounts Department to find out the causes of the leakage of Railway revenue and to stop it;
- (b) how can the Accounts Department detect people travelling fraudulently from the records and the accounts as claimed in the concluding lines of the reply to part (d) of question No. 823?

Mr. P. R. Rau: (a) As generally understood by State-managed Railways in India, the function of the Accounts Department is, when any instance of leakage of railway revenues comes to its notice through the accounts or otherwise, to bring it to the notice of the administration and to advice on the measures to stop it. In respect of passenger tickets, this involves a check on the receipt and issue of tickets by stations and on their correct accountal.

(b) My Honourable friend is referring to the views of the Auditor General as expressed to the Public Accounts Committee where he was apparently referring to the principle of the responsibilities of the Accounts Department and not to detention of individual cases of fraud. I may explain that at present the check of passengers travelling without tickets is on all State-managed Railways in India conducted by Ticket Collectors and Travelling Ticket Examiners, who are under the control of the Traffic Department. There is, I know difference of opinion on the question whether Travelling Ticket Examiners should be under the control of the Accounts or of the Traffic Department, but as I explained in reply to question No. 823, the opinion of the Railway Board is that it is desirable to enforce the responsibility of collecting railway dues on the Traffic Department, and that it is not necessarily for the Accounts Department to detect people travelling fraudulently.

**PROVISION OF RUNNING ROOMS FOR THE TRAVELLING TICKET
EXAMINERS ON THE EAST INDIAN RAILWAY.**

1344. *Pandit Satyendra Nath Sen: (a) Will Government be pleased to enquire and state whether it is a fact that the Travelling Ticket Examiners on the East Indian Railway are not entitled to occupy the waiting rooms at outstations?

(b) Is it a fact that under the rules they are entitled to running room accommodation like the Guards?

(c) Is it a fact that very often they have to stay for hours at certain stations where no running room accommodation is available?

(d) Is it a fact that Guards under such circumstances are compensated by the grant of running room allowance?

(e) Is it a fact that the Travelling Ticket Examiners despite representations are denied this running room allowance on the ground that consolidated allowance granted to them under Supplementary Rule 22 covers this allowance?

(f) Is it a fact that under Supplementary Rule 22 the grant of any other form of "travelling allowance" is inadmissible in addition to consolidated allowance and that the running room allowance is not travelling allowance?

(g) Are Government prepared to consider the desirability of providing ample running room accommodation for Travelling Ticket Examiners and in the absence of this arrangement to compensate them like the guards by the sanction of their claim for the running room allowance?

Mr. P. B. Rau: I have called for certain information and will lay a reply on the table of the House in due course.

GRANT OF COMPENSATORY HILL ALLOWANCE TO THE STAFF STATIONED AT HARDWAR, EAST INDIAN RAILWAY.

1345. *Pandit Satyendra Nath Sen: (a) Will Government be pleased to state if it is a fact that the staff stationed at Hardwar are granted compensatory hill allowance on account of high rate of living there, and also those who are temporarily stationed there?

(b) Is it a fact that for the first few months of the introduction of the Moody-Ward system 1931, Hardwar was the Headquarter of certain Travelling Ticket Examiners who were not paid this compensatory hill allowance?

(c) Is it a fact that this hill allowance is not travelling allowance and that it is not barred under Supplementary Rule 22?

(d) Are Government prepared to consider the advisability of sanctioning this hill allowance to the staff so affected?

Mr. P. B. Rau: I am making enquiries and shall lay a reply on the table in due course.

DENIAL OF HILL ALLOWANCE TO THE RAILWAY STAFF STATIONED AT DEHRA DUN.

1346. *Mr. S. G. Jog: (a) With reference to the reply to starred question No. 964 of the 28th March 1933, will Government be pleased to enquire and state what are the classes of the staff employed at Dehra Dun with their rate of pay and whether the same class of staff on the same scale or rate of pay is employed elsewhere on the East Indian Railway? If so, what is the amount of the hill allowance included in the pay at the two different stations?

Mr. P. B. Rau: With your permission, Sir, I propose to reply to this and the next question together. I have called for information and will lay a reply on the table in due course.

CLASSIFICATION OF CERTAIN ASSISTANT STATION MASTERS WITH STATION MASTERS.

†1347. *Mr. S. G. Jog: What was the decision of the Agent, East Indian Railway, regarding the anomalies referred to in the reply to starred question No. 965 of the 28th March, 1933, asked in this House regarding the classification of certain Assistant Station Masters with Station Masters?

†For answer to this question, see answer to question No. 1346.

RECOGNITION OF SERVICES RENDERED DURING THE GREAT WAR.

1348. ***Mr. S. G. Jog:** Referring to the starred question No. 966 of the 28th March, 1933, will Government please state whether the services of the recruits who responded to His Majesty's call and rendered service during the Great War on a voluntary footing are to be recognised in a similar manner as those recruited with the approval of the Railway Administration? If not, why not?

Mr. P. R. Rau: A complete reply to question No. 966 was laid on the table on the 1st September. I regret I have not been able to understand what further information my Honourable friend wants.

RULES AND REGULATIONS FOR THE GRANT OF INTERVIEWS TO THE RAILWAY SUBORDINATES.

1349. ***Mr. S. G. Jog:** (a) Referring to the reply to starred question No. 1182 of the 10th April, 1933, will Government please state who is to decide whether an interview can serve any useful purpose when asked for against a Divisional Superintendent of a Railway?

(b) What are the rules and regulations for the grant of interviews?

(c) How can an appeal lie to a Divisional Superintendent against his own order as a Divisional Superintendent? Is the Divisional Superintendent an appellate authority? If so, against whose orders and with what powers of disciplinary action are the subordinate officers to Divisional Superintendents vested with?

Mr. P. R. Rau: (a) In the particular case referred to no appeal lay beyond the Divisional Superintendent.

(b) There are none laid down by the Railway Board.

(c) The first part of this question seems to be a rhetorical question to which an answer seems unnecessary. The reply to the second part is in the affirmative. As regards the third part the reply is that he exercises appellate powers in accordance with the appeal rules over orders passed by his subordinates.

PUNISHMENT METED OUT TO CERTAIN SUBORDINATES OF THE MORADABAD DIVISION, EAST INDIAN RAILWAY.

1350. ***Mr. S. G. Jog:** Referring to the reply to starred question No. 1183 of 10th April, 1933, and to the reference reproduced below, which is not traceable:

"No. 12/99/27-E, dated Moradabad, the 4th July 1932.

From

The Divisional Superintendent,
East Indian Railway, Moradabad,

To

The Station Masters,
Dehra Dun, Hardwar, Rampur bareilly, Moradabad, Roorkee, Nagina.

Re: Examination of T.Cs. and T. T. Es.

The following Ticket Collectors and Travelling Ticket Examiners have not come to this office today for the examination. Each of them is fined rupee one for not attending the examination as ordered pending satisfactory explanation. Please submit their explanation with your remarks and also state as to why reliefs were not called for from your respective relief centres if required by you."

Will Government be pleased to state how far is the reply consistent with the reference? Can it be traced now?

Mr. P. B. Rau: I have called for certain information and will lay a reply on the table in due course.

ACTION TAKEN ON CERTAIN QUESTIONS BY THE AGENTS OF RAILWAYS.

1951. ***Mr. S. G. Jog:** What action has been taken by the Agent on the following questions referred to by the Railway Board?

Starred Question No. 908 of 24th March 1933.

Unstarred question No. 105 of 22nd March 1933, No. 116 of 22nd March 1933.

Starred question No. 960 (c, d and f) and unstarred No. 138 (k) of 27th March 1933.

Starred question Nos. 967, 996 of 28th March 1933.

Unstarred question No. 156 of 31st March 1933.

Starred question No. 1095 and unstarred Nos. 172 and 174 of 1st April, 1933.

Starred question Nos. 1116, 1117 of 3rd April 1933.

Unstarred question No. 186 of 5th April 1933.

Starred question Nos. 1216, 1217, 1218 (b) of 12th April 1933.

Starred question No. 272 of 31st August 1933.

Starred question Nos. 477, 570, 574, 600 of 4th September 1933.

Starred question No. 604 of 5th September 1933.

Starred question No. 670 of 6th September 1933.

Starred question Nos. 721, 723, 745, 746, 758 of 7th September 1933.

Unstarred question Nos. 36, 40, 38, 41, 42, 43, 47 of 11th September 1933.

Starred question No. 824 of 12th September 1933.

Starred question Nos. 902, 903, 909, 911, 912 and unstarred question Nos 70, 71, 74, 75, 76 of 13th September 1933.

Mr. P. B. Rau: I should like in the first place to express my gratitude to my Honourable friend for confining his enquiry to 1933 and not conducting researches into past years. I shall go through these 47 questions, and shall see which of these come within the terms of the ruling given by you, Mr. President, on the 28th November and shall communicate the information regarding those to my Honourable friend as soon as possible.

Mr. M. Maswood Ahmad: Are Government aware of another ruling by Sir Ibrahim Rahimtoola to the effect that instead of sending this information to the Honourable Member concerned, it should be laid on the table of the House? Does the Honourable Member remember that ruling as well?

Mr. P. B. Rau: I confine myself to the latest ruling of the President.

Mr. M. Maswood Ahmad: Are Government aware that that ruling of Sir Ibrahim Rahimtoola has not been over-ruled by the present President?

Mr. P. B. Rau: I think, Sir, that that question should be addressed to the Chair.

Mr. President (The Honourable Sir Shanmukham Chetty): Does the Honourable Member, Mr. Maswood Ahmad, think that the answers to Mr. Jog's questions should be laid on the table?

Mr. M. Maswood Ahmad: Yes, Sir.

Mr. President (The Honourable Sir Shanmukham Chetty): If an Honourable Member wants that the answer to a question should be laid on the table and not merely be communicated to the Honourable Member putting the question, that has to be done and Government will have to lay the answer on the table of the House.

Dr. Ziauddin Ahmad: Has the Honourable Member noticed the extent of his default and the series of questions which he has not so far answered?

Mr. P. B. Rau: No, Sir; it is not a question of default at all. It is in obedience to the recent ruling of the Honourable the President that replies to certain of these questions will be laid on the table of the House.

DIFFERENCE IN THE UNIFORMS OF THE INDIAN AND ANGLO-INDIAN TICKET COLLECTORS ON THE EAST INDIAN RAILWAY.

1352. ***Mr. M. Maswood Ahmad:** (a) Is it a fact that since the introduction of the Moody-Ward Scheme on the East Indian Railway a difference has been introduced in the uniforms of the Indian and the Anglo-Indian Ticket Collectors?

(b) Is it a fact that Indian Ticket Collectors were supplied as the summer uniform, one alpaca coat and two white drill pants, whereas their Anglo-Indian colleagues were supplied with three white drill coats and three pants?

(c) Is it a fact that, for the winter uniforms, the Indian Ticket Collectors were supplied with only one serge coat, whereas the Anglo-Indian Ticket Collectors were supplied with navy blue serge coats and pants?

(d) Do Government propose to discontinue the differential treatment in supplying uniforms to Indians and European *cum* Anglo-Indians?

Mr. P. B. Rau: I have called for information and will place a reply on the table in due course.

REPRESENTATION FROM OGALE GLASS WORKS.

1353. ***Mr. S. G. Jog:** (a) Will Government please state whether they have received any representation from Ogale Glass Works, manufacturers of lanterns, complaining against the reduction of prices of the American Dietz junior lanterns from Rs. 19 to Rs. 13 a dozen?

(b) Are Government aware that the said reduction is on account of the deflation of the dollar by America?

(c) Are Government aware that it has affected the only industry in India?

(d) Will Government please state as to what steps they propose to take in the matter, and when?

The Honourable Sir Joseph Bhore: (a) Yes, Sir.

(b) That is the reason given in the representation.

(c) The representation also conveys that the Ogale Glass Works have been affected by the fall in dollar prices of American lanterns. Government are not aware whether that factory is the only one manufacturing lanterns in India.

(d) The Honourable Member is referred to the reply given by the Honourable the Finance Member to question No. 1315 asked by Mr. M. Maswood Ahmad.

Mr. S. G. Jog: May I know whether Government have made any inquiries as to the extent trade has been affected by the recent depreciation of the dollar?

The Honourable Sir Joseph Bhore: No, Sir; I do not think Government have gone into the question of how the various industries have been definitely affected by the depreciation of the dollar.

Mr. S. G. Jog: Am I to understand that Government do not think it their legitimate business to make inquiries into the matter?

The Honourable Sir Joseph Bhore: It is the duty of any industry that finds itself affected to make representations to Government.

Mr. S. G. Jog: May I know what is the duty of Government after those representations are received?

The Honourable Sir Joseph Bhore: The obvious duty of Government is to inquire into those representations.

LEVY OF WATER METER RENT FROM THE OCCUPIERS OF GOVERNMENT QUARTERS IN NEW DELHI.

1354. ***Sardar G. N. Mujumdar:** (a) Are Government aware that the Secretary, Municipal Committee, New Delhi, has issued a notice on the 10th November, 1933, that the Municipal Committee has decided to charge rent at Re. 1 per meter per month for all water meters installed in buildings belonging to Government with effect from the 1st October, 1933?

(b) Why was it felt advisable now to instal the water meters in Government buildings only in New Delhi?

(c) How are the charges for water supply made from the private house-owners and the residents of New Delhi living on Punch Kuin Road and elsewhere?

(d) Have Government or the Municipality received any representation from the Tenants' Association or other Associations against the levy of this rent? If so, from whom, and how were they disposed off?

(e) Are Government aware that almost all the residents of Government buildings, and particularly the clerical staff, feel this charge as exorbitant

and most unreasonable and that by its addition the charges for water supply to a quarter will come to Rs. 3 per mensem and thus increase the total rent?

(f) Are Government prepared to dispense with this rent? If not, why not?

Mr. G. S. Bajpai: The Honourable Member's attention is invited to the replies given on the 7th December, 1933, to Mr. Maswood Ahmad's starred questions Nos. 1312 and 1313 and to the connected supplementary questions.

Mr. President (The Honourable Sir Shanmukham Chetty): For the future guidance of the House, the Chair desires to say that when a number of Honourable Members, by some sort of accident, happen to put the same questions, they would do well to verify whether their questions have been asked previously and answered. That will save a considerable amount of time.

Mr. S. G. Jog: Is it not the business of the office to inform Members who put these questions that similar questions have been received?

Mr. President (The Honourable Sir Shanmukham Chetty): It is the duty of the Honourable Member asking the question to find out whether the question has been previously asked and answered.

Mr. Gaya Prasad Singh: How can an Honourable Member find out whether other Honourable Members have sent notices of similar questions previously?

Mr. President (The Honourable Sir Shanmukham Chetty): If Honourable Members happen to send simultaneously, it is a different matter,—the Chair is not referring to that. But supposing a question of this nature has been answered now, there have been cases in which, in spite of that answer, notice of a fresh question comes up on the same subject in an identical form three days after. The Chair is referring to those cases.

SMUGGLING OF ARMS INTO INDIA FROM AFGHANISTAN.

1355. ***Mr. Gaya Prasad Singh:** Has there been any smuggling of arms into India from Afghanistan? If so, since when, and how many arms were discovered to have been smuggled? What steps, if any, have been taken in the matter?

Mr. H. A. F. Metcalfe: Information has been asked for from the Local Administrations concerned and their replies will be communicated to the House.

MAINTENANCE OF SENIORITY LIST ON THE EAST INDIAN RAILWAY.

1356. ***Mr. E. H. M. Bower:** (a) Is a common seniority list maintained on the East Indian Railway in order that promotions to posts as they fall vacant may be filled by the senior employees instead of by promotion being confined to subordinates in any one particular Division on which the vacancy occurs?

(b) Is it a rule that vacancies in any one Division must be filled by employees in that Division to the exclusion of other suitable employees working on other Divisions and in the Head Office at Calcutta?

(c) If the answer to part (b) be in the negative, will Government please state which posts are to be filled from employees on the several Divisions and the Head Office staff?

Mr. P. R. Rau: (a) to (c). The Agent, East Indian Railway, reports that in the case of Senior Subordinates, promotions in different Departments are generally made from amongst the staff of the Department concerned on the entire railway. In the case of Engineering Department inspecting staff separate seniority lists are maintained for the old Oudh and Rohilkund and old East Indian Railway men and the vacancies caused by normal wastage of the former are filled by the promotion of Oudh and Rohilkund Railway men except in the lowest grades which are normally filled by direct recruitment.

In the Mechanical Department and in the case of Senior Subordinates appointed in the Headquarters office of the Commercial Department promotions are made locally and are confined to the staff of the Workshop Division, District of the office in which the vacancy occurs. This also applies to staff of other Departments other than Senior Subordinates attached to divisions.

WELFARE SCHEME ON THE EAST INDIAN RAILWAY.

1357. ***Mr. E. H. M. Bower:** (a) Is there a Welfare Scheme on the East Indian Railway by means of Welfare Committees posted on the Divisions for the benefit of the subordinate staff?

(b) Is it a fact that the subordinate staff of the Calcutta Head Office do not participate in the Welfare Scheme?

(c) If the answer to part (b) be in the affirmative, do Government propose to issue instructions to include this category of employees in the Welfare Scheme? If not, why not?

Mr. P. R. Rau: My Honourable friend put exactly the same question in September last and I gave him a reply to the best of my ability. I would invite his attention to that reply and to the ruling just given by you, Sir, in the matter.

CREATION OF TWO NEW POSTS AFTER THE SURRENDER OF THE POST OF TRANSPORTATION INSPECTOR, COMMERCIAL, EAST INDIAN RAILWAY.

1358. ***Mr. E. H. M. Bower:** (a) Will Government please state whether the Deputy Chief Commercial Manager, Claims and Refunds, of the East Indian Railway, as a measure of economy, surrendered the post of Transportation Inspector, Commercial, Grade Rs. 280—20—500, attached to his office?

(b) Is it a fact that on the recommendation of the same official, the Agent has sanctioned the creation of two new posts, namely:

(i) clerk, Grade I, Rs. 170—218,

(ii) clerk, Grade II, Rs. 160—220?

Mr. P. R. Rau: I am calling for certain information and will lay a reply on the table in due course.

RULES FOR THE RECRUITMENT AND TRAINING OF THE SUBORDINATE STAFF ON STATE RAILWAYS.

1359. ***Mr. E. H. M. Bower:** (a) Will Government be pleased to state whether the Railway Board have issued rules for the recruitment and training of the subordinate staff on State-managed Railways in which provision has been made for the employment of educated lads for training as Drivers?

(b) If the answer to part (a) be in the affirmative, has any recruitment been made on the East Indian, Eastern Bengal, Great Indian Peninsula and North Western Railways?

(c) If the answer to part (b) be in the affirmative, will Government please state separately the number of Europeans, Anglo-Indians, Hindus, Moslems and other classes that have been appointed on each of the above four Railways?

Mr. P. R. Rau: (a) Yes.

(b) and (c). I am calling for information and will lay a reply on the table in due course.

EXTENSIONS GRANTED TO SOME OFFICERS OF THE INCOME-TAX DEPARTMENT.

1360. ***Sardar Sant Singh:** (a) Will Government be pleased to state if extension beyond the ordinary term of service has been granted to some officers of the Income-tax Department, and if so, why? Are Government aware that this is to the detriment of the interests of junior officers?

The Honourable Sir George Schuster: Extensions of service have been granted to certain officers of the Income-tax Department when the condition laid down in Fundamental Rule 56 has been satisfied. This condition is that there must be public grounds for the officer's retention in service. Government recognise that such extensions may have the effect of delaying the promotion of junior officers, and this consideration is always taken into account.

Mr. Lalchand Navalrai: May I know whether the Central Board of Revenue is consulted in giving extensions?

The Honourable Sir George Schuster: Yes, Sir.

ALLOWANCE GRANTED TO A TRAVELLING TICKET EXAMINER.

1361. ***Sardar Sant Singh:** (a) Is it a fact that according to paragraph 362 of the State Railway Open Line Code, Volume II, the nature of allowance to be granted to a Travelling Ticket Examiner is to be determined at the time when the person is engaged?

(b) Is it a fact that it was determined to grant mileage allowance to the old Travelling Ticket Examiners, now classed as special ticket examiners, at the time when they were engaged? If so, why are they now being paid daily allowance instead of mileage allowance, especially so far as their work on running trains is concerned?

(c) Are Government aware that the mileage allowance of a Travelling Ticket Examiner was treated as part of their pay for practically all purposes which count?

(d) If so, are Government aware that the substitution of daily allowance for mileage allowance has caused a reduction in their pay by 50 to 70 per cent.?

(e) If the reduction is not to this extent, will Government give the precise percentage by which the emoluments of these Travelling Ticket Examiners have been cut down by the withdrawal of their mileage allowance for all purposes, viz., leave on average pay, provident fund, gratuity and passes?

(f) Will Government please state what is the average permanent percentage of reduction effected in regard to other employees of the Railway whose salaries have been retrenched?

(g) Are Government aware that in addition to this reduction of their emoluments the Travelling Ticket Examiners have been subjected to a further cut of ten and five per cent. in their salaries?

Mr. P. B. Rau: (a) Yes; but I do not think this implies that the Administration has no right to reconsider the matter or that the Government of India cannot amend any paragraphs in the Code issued under their authority.

(b) As I have already explained more than once, it has been decided that running allowances should be granted only to staff directly connected with the charge of a moving train.

(c) Yes, to a certain extent.

(d) Government are aware that the substitution of daily allowance for mileage allowance has caused a certain reduction in the emoluments of the staff but cannot say what the percentage of reduction is without investigating each particular case which they are not prepared to do.

(e) and (f). It will not be possible to obtain this information without the expenditure of an amount of time and labour which Government do not consider they would be justified in incurring.

(g) Travelling Ticket Examiners have, like all other railway staff, been made subject to the general cut in their salaries.

Sardar Sant Singh: May I know if the terms of agreement on which a person is engaged can be changed later on by the employer?

Mr. P. B. Rau: That question, Sir, contains an assumption that the terms of agreement contain this particular clause.

Sardar Sant Singh: May I know whether or not the particular rule quoted in the question makes it obligatory that the rate of allowance, whether it is to be granted or not, is to be decided at the time when the engagement of the particular individual takes place?

Mr. P. B. Rau: As I have already explained in reply to the main question, I do not admit that that implies that the Government of India cannot amend any paragraphs in the Code issued under their authority.

Sardar Sant Singh: Can they do so to the prejudice of the employee?

Mr. P. B. Rau: My Honourable friend is welcome to his opinion and, as a lawyer, I daresay it is entitled to great weight.

Mr. Lalchand Navalrai: May I know whether, in view of the representations made since the mileage allowance has been taken away, the Railway Board or the Agents have further inquired into the matter and found out whether there is any reason to increase the allowance now?

Mr. P. R. Rau: Government have been inquiring into this matter and have been answering questions on the floor of this House for the last two years.

Mr. Lalchand Navalrai: That only refers to answering questions. I am asking whether the matter has been investigated further.

Mr. P. R. Rau: Certainly, Sir.

Sardar Sant Singh: May I know if the Department is prepared to consult the Law Department of the Government of India if they are not infringing the legal aspect of the case by withdrawing from the terms of engagement?

Mr. P. R. Rau: Certain memorials have been, I understand, recently received by the Railway Board on the question, and, in considering those memorials, all aspects of the case will be taken into consideration.

Dr. Ziauddin Ahmad: Are these Travelling Ticket Examiners included in the running staff or the stationary staff?

Mr. P. R. Rau: They are not included in the running staff.

Dr. Ziauddin Ahmad: In spite of the fact that they travel in the trains all the time?

Mr. P. R. Rau: A great number of people travel in the trains and they are not included in the running staff.

REDUCTION OF THE EMOLUMENTS OF TRAVELLING TICKET EXAMINERS.

1302. **Sardar Sant Singh:** (a) Are Government aware that members of the Travelling Ticket Examiners cadre in the course of their duty:

- (i) have met with accidents, including fatal accidents;
- (ii) have been assaulted, including fatal assaults;
- (iii) have been subjected to false criminal prosecutions by members of the travelling public?

(b) Will Government please state how they justify reducing their emoluments heavily by withdrawing their mileage allowance?

Mr. P. R. Rau: (a) No statistics on the subject are available.

(b) I have explained more than once to this House the reason for the action taken by the Railway in this matter and I have nothing now to add on this subject.

GRANT OF MILEAGE ALLOWANCE TO RAILWAY EMPLOYEES.

1363. *Sardar Sant Singh: (a) What kind of work entitles a railway employee to the grant of mileage allowance and what posts carry this allowance?

(b) Is there any staff employed on Railways who do active duties on the running trains and are paid daily allowance?

Mr. P. R. Rau: (a) The mileage allowance is intended for, and is now restricted to, staff directly connected with the charge of a moving train.

(b) I shall be glad if my Honourable friend will define exactly what he means by the expression "active duties on the running trains" before I attempt to reply to him.

Sardar Sant Singh: Are they not performing the same duties which they used to do before they were transferred to be traffic examiners?

Mr. P. R. Rau: I think that is a question I have answered already and, if I remember aright, I am going to answer again in the course of the next few questions.

INTRODUCTION OF THE PREVENTIVE SYSTEM OF CHECK BY POSTING GROUPS OF TRAVELLING TICKET EXAMINERS.

1364. *Sardar Sant Singh: (a) Is it a fact that the Railway Administration abolished the cadre of Travelling Ticket Examiners on the 1st June, 1931, to introduce the preventive system of check by posting groups of Ticket Examiners at stations to prevent passengers from entraining without tickets?

(b) Were these groups intended to check tickets in trains while moving from one station to the other, as in the case of flying group sanctioned by the Railway Board in 1926 to check at stations for not less than two days each?

(c) Is it a fact that some time after, the Railway Administration introduced in 1932 the system of two men on each train by giving them programmes like old Travelling Ticket Examiners to check on running trains?

(d) Will Government state why the group system was abandoned?

(e) Is it a fact that after some experience of the two-men system, the Administration allowed one man to check on running trains as in the case of old Travelling Ticket Examiners? If so, why?

(f) Is it a fact that on submission of memorials by old Travelling Ticket Examiners, mentioning this gradual splitting up of the group system of checking at stations and steady reversion to the old system of Travelling Ticket Examiners checking singly on trains, the North Western Railway again reverted to the intermediary stage of putting two men on main line trains and one man on branch line trains?

(g) Is it a fact that these two men on the main line trains are working independently of each other and dealing and excess-charging their own fares separately, and that each man has been supplied with Excess Fare Ticket Books for this purpose?

(h) Is it a fact that previous to the abolition of the Travelling Ticket Examiner's cadre the Travelling Ticket Examiners were also running on important main line trains in batches of two or more on each train?

(i) Is it a fact that the present programmes of most of the Special Ticket Examiners are just the same as of the old Travelling Ticket Examiners, *viz.*, working in running trains only?

(j) If so, will Government please state why mileage allowance is not being paid to them?

Mr. P. R. Rau: (a) and (b). If, as I presume, my Honourable friend is referring to the North Western Railway, the answer is in the affirmative.

(c) to (h). I am calling for the information required and will place a reply on the table of the House in due course.

(i) The Agent of the North Western Railway has reported to the Railway Board that the statement that the duties of the former Travelling Ticket Examiner and the present Special Ticket Examiners are the same is not correct.

(j) Does not arise.

Dr. Ziauddin Ahmad: I think it will save the time of the House and of the Honourable gentleman as well if he settles this question definitely: there are only two or three points left: the others have been settled already.

Mr. P. R. Rau: So far as Government are concerned, the question must be considered as finally settled.

INTRODUCTION OF THE PREVENTIVE SYSTEM OF CHECK BY POSTING GROUPS OF TRAVELLING TICKET EXAMINERS.

1365. *Sardar Sant Singh: (a) Will Government please state whether the preventive system of ticket checking at stations requires more staff at stations instead of in trains?

(b) Will Government please place on the table a statement showing the strength of Ticket Collectors on the North Western Railway on the following dates to judge how far the station check has been strengthened:

1st October, 1930.

1st January, 1931.

1st March, 1931.

1st June, 1931.

1st June, 1933?

(c) Is it a fact that there has been a progressive reduction in the Ticket Checking staff at stations since October, 1930, and, if so, will Government please state how far it has helped the preventive system of checking tickets at stations?

(d) Will Government please state what precautions have been taken to adopt the preventive system at road-side stations on the line, which, are mostly unfenced and where there are no Ticket Collectors, and where the Station Master on duty has got to attend to line-clear work, Guards and loading and unloading of packages, etc.?

(e) Will Government please state the strength of the staff employed on checking tickets on running trains on the 31st May, 1931, and the 31st August, 1933?

(f) Has there been a reduction in the staff of Ticket Collectors at stations and increase in the staff of ticket checking on running trains? If so, will Government please state if they still prefer to concentrate on the preventive system in comparison to the checking in trains by the Travelling Ticket Examiners?

Mr. P. R. Rau: (a) It is obvious that the strength of ticket checking staff at stations depends on the intensity of the check applied.

(b) to (f). I am collecting whatever information is readily available and shall lay a statement on the table of the House in due course.

PREVENTION OF ILLICIT TRAVELLING ON RAILWAY TRAINS.

1366. ***Sardar Sant Singh:** (a) Is the policy of the Administration to prevent illicit travelling on trains?

(b) Will Government please state whether the work of a Special Ticket Examiner is judged by his earnings and larger number of detections or by the absence of ticketless passengers on his trains?

(c) If the latter, will Government please state whether two Special Ticket Examiners have recently been reverted in Rawalpindi Division from class III to class II for poor earnings? If so, why?

Mr. P. R. Rau: (a) The policy of Railway Administrations is to endeavour to prevent travelling without tickets.

(b) I am not aware of any single criterion by which the efficiency of a Ticket Examiner can be judged; but the so-called earnings of ticket examining staff do not furnish a true or certain measure of the efficiency either of the system or of the particular examiner.

(c) Government are enquiring into this allegation and will place a statement on the table in due course.

FUNCTIONS OF THE TRAVELLING TICKET EXAMINERS.

1367. ***Sardar Sant Singh:** (a) Is it a fact that one of the functions of the Travelling Ticket Examiners was to detect cases of fraud of serious nature with regard to the misuse of tickets and passes?

(b) If so, is it a fact that since the abolition of the Travelling Ticket Examiner's cadre and introduction of group system very few cases of this nature have been brought to light?

(c) If not, will Government please place on the table a statement showing the number of prosecutions made by the ticket checking staff and the strength of such staff for the last five years separately?

Mr. P. R. Rau: (a) Yes.

(b) Government have no information; but obviously even if this were true, it would prove nothing.

(c) The collection of the information required will involve a considerable amount of time and labour, which Government do not consider would be justified by the results.

Dr. Ziauddin Ahmad: Is the efficiency judged by the earnings or by the avoidance of persons travelling without tickets?

Mr. P. R. Rau: I said in reply to the previous question that I was not aware of any single criterion by which the efficiency of a Ticket Examiner could be judged.

COMMUNAL ACTIVITIES IN THE PATNA TELEGRAPH SUB-DIVISION.

1368. ***Sardar Sant Singh:** (a) Are Government aware that communalism has become the order of the day in the Patna Telegraph Sub-division and that Hindu staff is discontented? If so, is it a fact that the officer in charge of the Patna Telegraph Sub-division belongs to any communal Union?

(b) If so, what steps have Government taken to check such activities in that Sub-division?

The Honourable Sir Frank Noyce: (a) No instance of communal difficulty in the Patna Engineering Sub-division has come to the notice either of Government or of the local authorities concerned nor is there any reason to suppose that the Hindu staff employed in the Sub-division are discontented. If any member of the staff has grounds for discontent, it is of course open to him to make a suitable representation. I am informed that Mr. M. N. Mirza, Assistant Divisional Engineer, who is in charge of the Sub-division does not belong to any communal Union, though I may remark that an official is free to be a member of any such body so long as the Government Servants' Conduct Rules are not infringed.

(b) Does not arise.

Mr. S. G. Jog: May I know whether there has recently been any change in the attitude of the Government so far as the prevention of these unions with communal tendencies in this Department is concerned?

The Honourable Sir Frank Noyce: No.

ALLOWANCES OF TRAVELLING TICKET EXAMINERS ON THE NORTH WESTERN RAILWAY.

1369. ***Sardar Sant Singh:** (a) With reference to the reply to the second question No. 476, dated 11th September, 1933 asked by me in this House, will Government be pleased to state whether the stipend of running staff "running staff" or "not running staff" is done on reports by departmental officers, or is it done on the actual nature of their duty?

(b) What are the reasons that those who were once employees upto June, 1931 were treated as "running staff" and are "not treated as running staff" after June, 1931?

(c) Since how long prior to June, 1931 were these men (Travelling Ticket Examiners or Travelling Ticket Inspectors) treated as "running staff"?

(d) If they are not treated as running staff, then under what category are they classed now?

(e) Is it a fact that they (Travelling Ticket Examiners or Travelling Ticket Inspectors) actually check the tickets in running trains, detect irregularities in running trains, and realise money in running trains?

(f) Is it a fact that when the train stops, they perform a check on the platform and make over to the station staff those defaulters whom they had detected in the running train and who had declined to pay the demanded dues, and also they change the compartment to start a check in the running train?

(g) Is it a fact that Inspectors, pay clerks, and other staff entitled to daily allowance, have nothing to do when the train is running whereas Travelling or Special Ticket Examiners start their duty when the train moves, and continue when they reach their destination?

(h) Will Government be pleased to state what class of employees exist on the Railway who actually perform duty in the running train and are not treated as running staff like the Travelling Ticket Examiners or the Special Ticket Examiners?

(i) Is it a fact that the Guard who is classed as running staff has practically nothing to do in the running train as compared with the duty of a Travelling Ticket Examiner or Special Ticket Examiner?

(j) If the reply to part (i) be in the negative, are Government prepared to classify the duties of a Travelling Ticket Examiner or Special Ticket Examiner, a Guard, and a Driver, as performed by them in the "running train"?

Mr. P. R. Rau: (a) The classification of employees is determined on the nature of their duties.

(b) The reasons have been given fully in previous replies in this House, the latest of which is the reply given by me just now to question No. 1361.

(c) Government have no information; but the length of the period does not confer any prescriptive right to the staff to obtain these allowances.

(d) If my Honourable friend insists on these being put in a special category, I can only say they come under the category of non-running staff.

(e) and (f). They are expected to do so.

(g) I cannot subscribe to the accuracy of the first part of this question.

(h) As I have already explained to the House, it has been decided that in order to be entitled to mileage allowances, the staff should be directly connected with the charge of moving trains.

(i) No. For the list of duties of a Guard I would refer my Honourable friend to the General Rules for Open Line Railways in British India administered by the Government, of which copies are in the Library of the House.

(j) I am sorry I cannot compress the list of these duties sufficiently to enable me to give a reply on the floor of the House to this question. But if the Honourable Member is very interested, I would suggest his seeing me some time in my office when I shall be glad to put him in communication with officers in the Railway Board who will be able to give him the fullest information on the subject.

Mr. R. S. Sarma: In view of the fact that the floor of the House has become the chief venue nowadays for the ventilation of grievances of subordinate members of the staff in all the Railways in this country and in view of the fact that this has entailed additional work on the Railway Department, is the Financial Commissioner contemplating additional staff for coping with this work, or has he received any request from Government Railways asking for such additional staff to cope with answers to be given to questions of Members of this Assembly?

Mr. P. R. Rau: I am afraid the contingency referred to by my Honourable friend is likely to arise: I have already received representations on this subject.

Dr. Ziauddin Ahmad: The Honourable Member's budget for contingency is such a wide one that he could pay the entire expenses of a committee of inquiry and this is a very small matter.

Mr. P. R. Rau: The budget of the Railway Board is, I think, discussed annually on the floor of the House.

Dr. Ziauddin Ahmad: The Honourable Member said on the floor of the House that all the expenses incurred in connection with the Pope Inquiry Committee were incurred from the contingency charges and that there was no need to ask for supplementary grant from the House.

Mr. P. R. Rau: I think my Honourable friend is, as usual, mistaken in his quotation.

Dr. Ziauddin Ahmad: I am not mistaken: I will show the reply and the question from the Legislative Assembly Debates.

Mr. B. V. Jadhav: May I know from the Honourable Member, Mr. Sarma, if his question was inspired?

Mr. R. S. Sarma: No: not a bit of it: I have not been an ex-Minister in a province.

CONSOLIDATED ALLOWANCE OF TRAVELLING OR SPECIAL TICKET EXAMINERS.

1370. *Sardar Sant Singh: (a) Will Government be pleased to state whether it is a fact that consolidated allowance, i.e., the permanent travelling allowance allowed to the Travelling or Special Ticket Examiners, is admissible to those persons only whose duties require them to "travel extensively" as per Government of India Supplementary Rule No. 22?

(b) Is it a fact that in view of this "extensive running duty" they are still not treated as running staff?

(c) With reference to the reply to starred question No. 694 (b), (c) and (d), dated the 6th September, 1933, will Government be pleased to state if they are prepared to consider the payment of enhanced consolidated allowance with retrospective effect or to compensate them by any other means for the loss they have suffered between the 1st June, 1931 and the 1st December, 1932?

Mr. P. R. Rau: (a) Yes.

(b) The fact of travelling extensively is not a sufficient qualification to be classed as running staff.

(c) Government have carefully considered the matter and regret that they cannot consider the payment of the enhanced consolidated allowance with retrospective effect.

Mr. Lalchand Navalrai: I suggest that the Honourable Member will consider that these Ticket Examiners might also be put on the duty of

collecting tickets in the running trains and then there will be certain staff which can be done away with and the mileage allowance increased.

Mr. P. R. Rau: I do not quite understand what my Honourable friend means by collecting tickets on railway trains, because if you collect tickets on running trains, the passengers will be charged on reaching the destination.

Mr. Lalchand Navalrai: I think the Honourable Member knows that on some Railways there is a practice of collecting tickets before the people get down on the platforms; and that does include two duties, one of checking and the other of collecting tickets relieving the ticket collectors at the doors of stations.

Mr. P. R. Rau: I think that happens only in stations just before the important termini of trains.

Mr. Lalchand Navalrai: I want the Railway Board to consider this question: whether they cannot make some economy and remove the grievance of these people who have been crying for a long time.

Mr. P. R. Rau: If effect is given to my Honourable friend's suggestion, I think it will mean that more people would be discharged; and I do not think that would remove the grievance of anybody.

Mr. Lalchand Navalrai: Everybody would not be discharged.

LEVY OF WATER METER RENT FROM THE OCCUPIERS OF GOVERNMENT QUARTERS IN NEW DELHI.

1371. ***Maulvi Badi-uz-Zaman:** (a) Will Government please state whether the New Delhi Municipal Committee circulated their decision to charge meter rent with retrospective effect from Government servants in the Departments after about two months, viz., on the 17th November, 1933? If so, why?

(b) Will Government please state the name of the officer who suggested the installation of water meters in New Delhi Government buildings, and on what grounds he so recommended?

(c) How much each of the water meter costs?

(d) How were these purchased, and from which firm?

(e) Were tenders for the supply of these meters to the New Delhi Municipal Committee invited? If so, how and in what manner?

(f) What were the prices quoted by different companies, and whose was the lowest quotation?

(g) Is it a fact that the Municipal Committee or the Government decided to purchase these water meters in order to minimise the wastage of water by the tenants of the Government buildings?

(h) If so, why should the tenants be charged the rent or the price of the meters?

(i) Did Government or the Municipality ever consult the Tenants Association or other Associations as to whether they would be prepared to have the meters installed on payment or prefer to minimise the use of water in the quarters? If not, why not?

(j) Are Government aware of the great feeling of concern and resentment over this charge among the low paid Government clerks and others, and are they prepared to stop this rent? If not, why not?

Mr. G. S. Bajpai: (a) to (c) and (g) to (j). I would invite the Honourable Member's attention to the replies given on the 7th December, 1933, to Mr. Maswood Ahmad's starred questions Nos. 1312 and 1313.

(d), (e) and (f). The meters were purchased through the Indian Stores Department who invited tenders from the holders of that Department's annual rate contracts, who had been selected after consideration of tenders submitted in response to public advertisement. I place on the table a statement showing the names of the firms who quoted for the order and their respective quotations.

Statement showing the quotations received for Water Meters.

	Glentfield & Kennedy, Ltd., Bombay.	Turner Hoare & Co., Ltd., Bombay.	John Fleming & Co., Bombay.		Siemens (India) Ltd., Calcutta.
			Rotor.	Minor.	
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
(i) If 1,500 or more are ordered at one time.	30 0 0 each.	29 0 0*	31 12 0*	20 6 0*	23 0 0*
	28 13 0 each. F.O.R. Calcutta & Bombay.	28 0 0 each. F.O.R. Bombay.	30 8 0	19 10 0	24 0 0
(ii) If 1,000 Nos. or more are ordered at one time.	..	..	32 7 0*	20 13 0*	23 0 0*
	..	..	31 5 0 each.	20 0 0 each.	24 0 0 each.
(iii) Do. 750 do	..	..	34 0 0*	21 11 0*	23 0 0*
	..	..	32 11 0 each.	20 13 0 each.	24 0 0 each.
(iv) Do. 500 do	..	..	34 0 0*	21 11 0*	23 0 0*
	..	..	32 11 0 each.	20 13 0 each.	24 0 0 each.
(v) Do. 250 do	..	..	37 9 0*	22 10 0*	24 4 0*
	..	..	36 2 0 each.	21 12 0 each.	25 4 0 each.
(vi) Do. 100 do	..	..	38 0 0*	22 10 0*	24 4 0*
	..	..	36 8 0 each. F.O.R. Bombay.	21 12 0 each. F.O.R. Bombay.	25 4 0 each. F.O.R. Calcutta and Bombay.

Note.—Figures marked with an asterisk are based on customs duty under the old Tariff. Those which are not marked with an asterisk are based on preferential duty under the Indian (Ottawa Trade Agreement) Amendment Act 1932 which came into effect from the 1st January 1933.

DISTINCTION BETWEEN FIRST AND SECOND CLASS PRIVILEGE TRAVELLING ORDER HOLDERS IN THE MATTER OF TRAVELLING BY MAIL TRAINS ON FOREIGN RAILWAYS.

1372. ***Maulvi Badi-uz-Zaman:** (a) Is it a fact that persons holding Second Class Privilege Travelling Orders are not allowed to travel by mail trains on foreign railways?

(b) Is it also a fact that holders of First Class Privilege Travelling Orders are allowed to travel by mail trains on foreign railways?

(c) Do Government propose to issue instructions that there should be no distinction between the two classes of Privilege Travelling Order holders? If not, why not?

Mr. P. R. Rau: (a) and (b). Yes.

(c) The issue by one railway of P. T. O.'s admissible over other railways is a matter for mutual agreement and is governed by rules framed by the Indian Railway Conference Association. Government are not prepared to intervene in this matter.

TRANSFER OF ASSISTANT CONTROLLERS ON THE NORTH WESTERN RAILWAY FROM SIMLA TO DELHI.

1373. ***Maulvi Badi-uz-Zaman:** (a) Is it a fact that Assistant Controllers on the North Western Railway are transferred for six months to Simla and thereafter they come back to Delhi for the winter?

(b) Is it a fact that on their return to Delhi these Assistant Train Controllers are unable to secure Railway quarters?

(c) Is it a fact that one such Assistant Controller died of pneumonia after return to Delhi when he was unable to secure a quarter to live in?

(d) Do Government intend to stop these transfers and post these men permanently in Simla and thereby save allowances, etc.? If not, why not?

Mr. P. R. Rau: I am calling for certain information and will lay a reply on the table in due course.

PUBLICATION OF THE REVISED RATES OF PAY FOR THE ARMY HEADQUARTERS

1374. **Maulvi Badi-uz-Zaman:** ~~Q~~ With reference to the reply to starred question No. 1068 of the 21st November, 1933, will Government be pleased to state

(a) when will the revised rates of pay for the Army Headquarters be published;

(b) when will the embargo on confirmation in Army Headquarters in the case of posts held by those routine division clerks who qualified in the 1931 examination and whose period of probation has expired, be removed?

Mr. G. R. F. Tottenham: (a) The matter is still under consideration.

(b) The embargo will be removed as soon as the new scales are introduced.

CLOSING OF THE GATE USED BY LADIES AT THE UNAO RAILWAY STATION.

1375. ***Mr. S. G. Jog** (on behalf of Rai Bahadur Lala Brij Kishore): (a) Will Government please state if it is a fact that there used to be a gate for the use of ladies only at Unao junction, and the same has been closed now?

(b) If the reply to part (a) be in the affirmative, will Government be pleased to state the reason for the closing of the gate?

(c) Do Government propose to consider the feasibility of re-opening this gate? Are not Government aware that *purdah-nashin* ladies experience great inconvenience for want of the same?

Mr. P. R. Rau: Government have no information, but I am sending a copy of the question to the Agent, East Indian Railway, for such action as may be considered necessary.

DIFFERENT RATES CHARGED FOR ELECTRIC CURRENT BY THE CALCUTTA ELECTRIC SUPPLY CORPORATION.

1376. ***Mr. K. C. Neogy:** (a) Are Government aware that there exists with the Calcutta Electric Supply Corporation an agreement whereby electric current is supplied to the Government of Bengal buildings, as also to the Government of India buildings in Calcutta and suburbs, at 1·8 annas per unit for lights and fans?

(b) Are Government aware that the Government of India are a party to this agreement?

(c) Are Government aware that the public in Calcutta are required to pay to the Calcutta Electric Supply Corporation four annas and six pies, less a discount of three annas nine pies, per unit for electricity when used for lights and fans?

(d) Are Government aware that there exists an enormous difference between the rates charged by the Government of Bengal as compared to the rates charged by schools, colleges, universities, churches and charitable hospitals, etc.?

(e) Has there been any reference on the subject from the Government of Bengal and has any inquiry been made as to the legality of such differential rates?

The Honorable Sir Frank Noyce: (a), (c), (d) and (e). The answer is in the negative.

(b) Not so far as I am aware.

MEETING OF THE ALL-INDIA CONGRESS COMMITTEE.

(***Sarda** Sant Singh.

1377. **Mr. Gaya Prasad Singh:**

***Mr S. C. Mitra:**

(a) Has the attention of Government been drawn to the news published in the *Hindustan Times* of the 29th November, 1933 that the Government of India have decided not to allow a meeting of the All-India Congress Committee to be held.

(b) Is it a fact that the All-India Congress Committee has never been declared as an unlawful Association?

(c) What is the attitude of Government in regard to the All-India Congress Committee meetings?

The Honourable Sir Harry Haig: (a) and (b). Yes.

(c) Government see no reason why the All-India Congress Committee should be differentiated from any other Committee of the Congress.

Mr. Gaya Prasad Singh: Have Government issued any orders with regard to the prevention of any meeting of the All-India Congress Committee meeting which may be held in the near future?

The Honourable Sir Harry Haig: No orders have been issued.

Sir Cowasji Jehangir: Is the All-India Congress Committee declared illegal?

The Honourable Sir Harry Haig: I have said in answer to part (b) of this question that it has not been declared unlawful.

Sir Cowasji Jehangir: It has not been declared unlawful?

The Honourable Sir Harry Haig: It is not at the moment an unlawful association.

Sir Cowasji Jehangir: If it is not an unlawful association, and if a meeting of the All-India Congress Committee is held, will it be an illegal meeting? What is the position?

The Honourable Sir Harry Haig: The position is that the Government see no reason to differentiate the All-India Congress Committee from any other Committee of the Congress. It is perfectly true that, at the present moment, the All-India Congress Committee is not an unlawful association, but that is a mere accident, owing to the fact that, during the last few years the All-India Congress Committee has made no effort to meet.

Sir Cowasji Jehangir: How is it so what?

The Honourable Sir Harry Haig: It has made no effort to meet or function for some time.

Sir Cowasji Jehangir: I deduce from that that if they had tried to do so, Government would have considered the position, and now that they are trying to do so, Government will consider the position?

The Honourable Sir Harry Haig: That is certainly so.

Sir Cowasji Jehangir: Therefore, the Honourable Member has not given any definite reply as to what action Government will take if they did try to meet?

The Honourable Sir Harry Haig: That, I think, is going into the realms of hypothesis.

Sir Cowasji Jehangir: The question is that they want to meet. We know that. What action do Government propose to take in the matter? It is for the enlightenment of the public as well as for everybody else. If the Congress Committee want to meet, what action do Government propose to take?

The Honourable Sir Harry Haig: That, Sir, is, as I have said, a hypothetical question. I was asked what is the attitude of Government. I think I have given a very fair and clear answer that the Government see no reason to differentiate the All-India Congress Committee from other Congress Committees, and the House is perfectly aware what the general policy of the Government is towards the Congress organizations and the its various Committees.

Sardar Sant Singh: May I know if the Congress has been declared an unlawful association?

The Honourable Sir Harry Haig: No, Sir; I went into that question last March.

Mr. K. C. Neogy: Do I take it that the Congress is a perfectly legal organisation and that no attempt will be made to stop its general meeting, whereas a meeting of the All-India Congress Committee may be stopped?

The Honourable Sir Harry Haig: No, Sir; I don't think the Honourable Member should presume that. He will remember that last year this question came up in connection with the proposal to hold a meeting of the Congress and the Government had to prohibit the holding of that meeting.

Mr. K. C. Neogy: In what sense then is the Congress not an unlawful body?

The Honourable Sir Harry Haig: In the technical sense.

Mr. K. C. Neogy: Will the Honourable Member then be pleased to explain the technical aspect of the question?

The Honourable Sir Harry Haig: The technical aspect is that under a particular law particular associations can be declared as unlawful, and, under that law, neither the Congress nor as a matter of fact, as I understand, the All-India Congress Committee has been declared unlawful.

Mr. K. C. Neogy: That is to say, the fact that the Congress itself is not an unlawful body is due to the same accident, as a result of which the All-India Congress Committee has not been declared to be unlawful?

The Honourable Sir Harry Haig: Not exactly an accident, Sir. I explained last year that the reason was that to declare the Congress an unlawful association would be going far beyond the requirements of the situation.

Mr. K. C. Neogy: What is the practical effect then, may I inquire, of this distinction between the Congress and the All-India Congress Committee in regard to its lawful or unlawful character?

The Honourable Sir Harry Haig: There is no distinction between them at the moment. Neither of them, as I have explained, have so far been declared unlawful.

Mr. Gaya Prasad Singh: Is it a fact that the Working Committee has been declared an unlawful association?

The Honourable Sir Harry Haig: That is so.

Mr. Gaya Prasad Singh: And the All-India Congress Committee has not been declared unlawful. . . . ?

Mr. President (The Honourable Sir Shanmukham Chetty): That has been answered.

Mr. Gaya Prasad Singh: Then, my next question is, why are the Government contemplating to ban the meeting of the All-India Congress Committee which has not been declared an unlawful association?

The Honourable Sir Harry Haig: I have said that the Government see no reason to differentiate one Committee from another. It was not, as a result of any policy on the part of Government, that the All-India Congress Committee was not declared unlawful, but purely through the accident of its making no effort to function.

Mr. Gaya Prasad Singh: Have not the Government already declared the one unlawful, while the other is lawful?

The Honourable Sir Harry Haig: That represents no decision of policy.

Mr. H. P. Mody: Is it the practice of Government to prohibit meetings of bodies which have not been declared unlawful?

The Honourable Sir Harry Haig: No, Sir; if it were considered that the All-India Congress Committee should not be allowed to meet, then the necessary action would be taken.

Mr. H. P. Mody: Would it not be a more straightforward course that the All-India Congress Committee should be declared as an unlawful Committee?

The Honourable Sir Harry Haig: So far action has not been taken in advance of the requirements of the situation.

Sir Cowasji Jehangir: The situation has now arisen.

The Honourable Sir Harry Haig: I must ask my friend to explain how the situation has arisen.

Sir Cowasji Jehangir: We have heard, and we know, that attempts are being made to call off the Civil Disobedience Movement by calling an All-India Congress Committee. That is an absolute fact, and in view of these attempts to call off the Civil Disobedience Movement, which can only be done by calling a meeting of an All-India Congress Committee, I

would ask the Honourable the Home Member to state whether Government are going to declare a meeting of the All-India Congress Committee illegal?

The Honourable Sir Harry Haig: I must express my complete disagreement with the Honourable Member's assumption that, if the Congress, wish to call off the Civil Disobedience Movement, they can do it only by holding a meeting of the All-India Congress Committee.

Mr. M. Maswood Ahmad: What is the other method for calling off the Civil Disobedience Movement?

The Honourable Sir Harry Haig: The Congress, Sir, have had not the slightest difficulty in changing their policy without a meeting of the All-India Congress Committee or any other particular organization.

Mr. M. Maswood Ahmad: What is the other procedure that the Congress can adopt for calling off the Civil Disobedience Movement?

Sir Cowasji Jehangir: Is the Honourable Member who speaks with such authority a Member of the All-India Congress Committee?

The Honourable Sir Harry Haig: No, Sir, but I read my papers, and perhaps it is within the recollection of the Honourable Member that the policy of the Congress was changed last July, without a meeting of the All-India Congress Committee.

Mr. S. C. Mitra: Have Government in their possession any evidence to anticipate that the All-India Congress Committee is going to pass resolutions which are likely to be illegal or unconstitutional?

The Honourable Sir Harry Haig: The Government, Sir, apart from what my friend, Sir Cowasji Jehangir, said, have no information in their possession showing that the Congress desire to hold a meeting of the All-India Congress Committee.

Mr. S. C. Mitra: Is it the policy of the Government always to anticipate and punish people and prohibit meetings without ascertaining whether those meetings will pass Resolutions either supporting or opposing the Civil Disobedience Movement, individual or mass?

The Honourable Sir Harry Haig: We must treat the Congress organization as a whole. We cannot pick out one part of the Congress organization and say that can meet and another part cannot meet.

Mr. S. C. Mitra: The Honourable Member knows that the Congress, according to its constitution, can always change its policy and principles and even its creed. Why then are Government so anxious that the Congress should not meet and prove itself whether it is constitutional or unconstitutional? Government can take steps afterwards, and not before?

The Honourable Sir Harry Haig: I have already explained that the Congress has found not the slightest difficulty in changing their policy without these formal meetings. They declared the inauguration of the

(Civil Disobedience movement without a meeting of the Congress or of the All-India Congress Committee. They modified their policy substantially in July without any formal meeting of any Congress body.

Sardar Sant Singh: May I know what the reply of the Government is to part (a) wherein it is asked whether, as stated by the *Hindustan Times*, the Government of India have decided not to allow a meeting of the All-India Congress Committee to be held? Is that a fact?

The Honourable Sir Harry Haig: The question asked in part (a) is whether the attention of the Government has been drawn to the article. I am afraid, I am not prepared to state what decision at what particular time the Government of India may have taken, but I hope the Honourable Member will take it from me when I say that the view of the Government of India is so and so, that it is in fact so.

Mr. S. G. Jog: Are Government aware that there is a strong feeling amongst many members of the All-India Congress Committee that there should be a change in the programme and creed of the Congress as such, and would it not be proper for Government to give facilities to the All-India Congress Committee to meet and come to a decision?

The Honourable Sir Harry Haig: I believe it is a fact that a section, and I hope a growing section, of the Congress are realising the futility of the Civil Disobedience Movement, but, at the same time, what prevents them from making their opinion effective is not the question of whether any particular meeting can or cannot be held, but the fact that the leaders whose policy really dominates the Congress are still opposed to any change.

Mr. S. G. Jog: May I know, if about 15 or 20 members of the All-India Congress Committee meet in their individual capacity and discuss matters, whether still the Government will take objection to their meeting?

The Honourable Sir Harry Haig: We have been careful not to interfere unnecessarily with any kind of informal meeting of the members of the Congress who wish to discuss these questions amongst themselves.

Mr. Lalchand Navalrai: In view of the fact that nobody knows what the decision of these people will be, will the Government allow them opportunity to express their own opinion so that they may see their own position and then inform the Government that they are not meeting with any illegal object?

The Honourable Sir Harry Haig: I think I have made sufficiently clear the general position of the Government with regard to this matter.

Sir Cowasji Jehangir: May I ask one more question? The Honourable Member said that it was not the policy of the Government to differentiate between one part of the Congress and another. In view of that, will Government now declare the All-India Congress Committee illegal to prevent this liquid state of affairs in political life? It is quite logical when my Honourable friend says that there should be no differentiation between one part of the Congress and another. Then, why continue this liquid

state of affairs? Will the Honourable Member consider and declare this All-India Congress Committee illegal and thus prevent this liquid state of affairs where nobody knows what to do?

The Honourable Sir Harry Haig: I am glad that my Honourable friend appreciates the position of the Government, but having gone on so long, as I said, accidentally, without having declared the All-India Congress Committee unlawful, it seems unnecessary to take any action unless some practical result is going to be achieved, and at the present moment I have no information to the effect that it is intended to call a meeting of the All-India Congress Committee.

Mr. President (The Honourable Sir Shammukham Chetty): Order, order. Sardar Sant Singh, Question No. 1378.

ALLOWANCES OF TRAVELLING TICKET EXAMINERS.

1378. *Sardar Sant Singh: (a) With reference to their reply on the 23rd March, 1932, to question No. 889 (c), will Government please state if it is not a fact that Travelling Ticket Examiners, while under the Chief Auditor, were employed for checking at stations during the occasions of fairs, etc., and were granted mileage allowance at the rate of 200 miles for eight hours work, or average mileage of the previous month as in the case of guards when employed on station duty?

(b) If the reply to the above be in the affirmative, why are the old Travelling Ticket Examiners, now classed as Special Ticket Examiners, not paid similarly when employed at stations, viz., eight hours equal to 200 miles or average mileage of the previous month for those days?

(c) Will Government please state the proportion of checking at stations to checking in running trains by the Special Ticket Examiners at present, for instance with regard to the Special Ticket Examiners' check in Rawalpindi, Quetta, Lahore and Multan Divisions, from July to October, 1933?

(d) Will Government please state whether there is any difference in the nature of the work so far as the check in running trains by the old Travelling Ticket Examiners and present Special Ticket Examiners is concerned?

(e) If the reply to part (d) be in the negative, why are not the old Travelling Ticket Examiners, now classed as Special Ticket Examiners, paid mileage allowance for their duty in running trains?

(f) With reference to their reply on the 23rd March, 1932, to question No. 889 (b) regarding allowances to Travelling Ticket Examiners, will Government please state whether the information has since been obtained, and, if so, will they place it on the table of this House?

Mr. P. R. Rau: (a) I daresay my Honourable friend is right, but I have no precise information on the subject.

(b) and (c). Government do not consider that even if the assumptions made by the Honourable Member are correct they are an adequate reason for granting the same terms to the present Special Ticket Examiners.

(e) I shall ascertain whether this information is readily available, and if so, will place it on the table of the House in due course.

(d) I presume the actual check will be the same whatever the agency that is employed for the purpose.

(f) The information referred to was placed on the table of the House over 15 months ago—on the 8th September, 1932, to be accurate.

NON-PAYMENT OF HOUSE RENT BY RAILWAYS TO EMPLOYEES APPOINTED AFTER THE 1ST AUGUST, 1928.

1379. *Sardar Sant Singh: (a) Are Government aware that house rent is not paid by Railways to employees appointed after the 1st August, 1928?

(b) Is it continued to be paid to those who were drawing the same prior to the 1st August, 1928?

Mr. P. R. Rau: (a) Yes.

(b) Yes, when holding a post which carried the concession prior to that date.

ALLOWANCES OF TRAVELLING TICKET EXAMINERS.

1380. *Sardar Sant Singh: (a) With reference to their reply on the 23rd March, 1932, to question No. 889 (*j. viz.*, that "the allowance of other running staff, *e.g.*, Guards, etc., have not been reduced as their duties remain the same", will Government please state if it is a fact that the duties of the old Travelling Ticket Examiners, now classed as Special Ticket Examiners, have for the most part remained the same?

(b) If the reply to part (a) be in the negative, will Government please state to what percentage their duties have remained the same?

Mr. P. R. Rau: (a) Government have been informed that this is not so.

(b) I am afraid it is impossible to compare their old duties with their present duties in terms of percentages.

PAYMENT OF MILEAGE ALLOWANCE TO GUARDS WORKING AS CONDUCTORS.

1381. *Sardar Sant Singh: (a) Is it a fact that some of the Guards, on receipt of mileage allowance, have been put to work as Conductors?

(b) Is there any difference in duties of a Conductor and a Train Guard? If so, what?

(c) If the duties of a Conductor and Train Guard are not the same, why have the Conductors been paid mileage allowance?

(d) Is it a fact that Guards are still being paid mileage allowance for working as Conductors, although their duties for this work are changed? If so, why?

Mr. P. R. Rau: (a) I am informed that on certain important passenger trains on the North Western Railway, Guards are put to work as Conductor Guards.

(b) The Conductor Guard relieves the Train Guard of part of the duties of a Guard assisting the Train Guard in attending to the comfort and needs of passengers of all classes.

(c) and (d). The mileage allowance is paid because these continue to do Guards' duties.

ALLOWANCES OF TRAVELLING TICKET EXAMINERS.

1382. *Sardar Sant Singh: (a) With reference to their reply on the 23rd March, 1932, to question No. 890(f), will Government please state if it is a fact that the Chief Accounts Officer, North Western Railway, sent a statement of the allowance admissible to the Travelling Ticket Examiners on their transfer to the Traffic Department in 1928, to the various Divisional Superintendents about the grant of 200 miles for eight hours duty or the average mileage of the previous month for days when employed to check at stations?

(b) If the reply to part (a) above be in the affirmative, will Government please state why the old Travelling Ticket Examiners, now classed as Special Ticket Examiners, are not paid mileage allowance for check in running trains at the rate of 200 miles or average mileage of the previous month for every eight hours for checking at stations according to that letter as previously?

Mr. P. R. Rau: (a) Possibly; but I have no information on the matter.

(b) I have dealt with this suggestion in replying to question No. 1378.

DEVELOPMENT OF THE DAIRY INDUSTRY IN INDIA.

1383. *Khan Bahadur Haji Waiihuddin: (a) Has the attention of Government been drawn to the two articles which appeared in the special supplement to the *Times of India* of the 16th September, 1933, which indicated the money value of the agricultural and the live stock and animal products and the importance of these industries, more especially of the dairy industry, in their relation to the economical and physical well-being of the people of India?

(b) Will Government be pleased to state:

- (i) what is the existing cattle breeding and dairy organisation under them;
- (ii) what the amount of money spent on it at present is and what it was before retrenchment was effected;
- (iii) what was the staff retrenched from it and the institutes or farms closed down due to retrenchment?

(c) In what way is help given by this organisation for the development of the dairy industry in the country and who is directly responsible for giving such help?

(d) What facilities are available at present for developing industrial dairying? Do Government contemplate increasing these facilities?

(e) Are Government aware that various dairy products are imported in large quantities from abroad every year and this importation is on an increase?

(f) Are Government aware that there is a great wastage of milk produced in rural areas in this country due to want of knowledge of the process of manufacturing dairy products?

(g) Will Government please state if facilities exist at present for experimenting on the manufacture of these products and if efforts have been made in this direction? If so, with what results?

(h) Will Government please indicate the nature, quantity and value of such dairy products imported into India during the last three years?

(i) Are Government aware of the public feeling that the present state of the cattle breeding and dairying industries in India is very unsatisfactory and that these are nation building industries?

(j) Do Government propose to give their immediate and earnest attention to the further development of the cattle dairy department with a view to developing these industries on proper lines in the country?

Mr. G. S. Bajpai: I lay on the table a statement giving the information asked for by the Honourable Member.

Statement.

(a) Yes.

(b) (i). The organisation consists of the Imperial Dairy Expert, farms for cattle breeding and instruction in dairying at Karnal and Bangalore, and a small section for animal nutrition research at Bangalore. Cattle breeding and dairying operations are also carried out at the Imperial Institute of Agricultural Research, Pusa.

(ii). The amount of money actually spent by the Government of India on this organisation was Rs. 6.34.950 in 1930-31 before retrenchment and the expenditure in 1933-34 after retrenchment is estimated at Rs. 3.05.900.

This is exclusive of the cost of the cattle breeding and dairying operations at the Imperial Institute of Agricultural Research, Pusa.

(iii). One post of Assistant to the Imperial Dairy Expert, one of Superintendent of Dairy Farms and four posts of clerks have been retrenched; the Anand Creamery has been closed and the Wellington Farm has been converted into a milk depot.

(iv) Courses in Dairying are given at the Imperial Institute of Animal Husbandry and Dairying, Bangalore, by the Imperial Dairy Expert. The Imperial Dairy Expert also gives advice to Local Governments, municipalities and privately owned dairy organizations regarding the organization and improvement of dairying.

(d) The Creamery at Anand was formerly maintained as an experimental and educational dairy factory in India, where the manufacture of milk products could be studied on a factory scale and where the treatment of milk for the manufacture of milk factory products could be taught on practical lines. Students from the Bangalore Dairy Institute were trained there, in factory methods of handling milk and cream and in the manufacture of butter, ghee and other dairy products and bye-products. This institution had to be closed as a measure of economy but the Imperial Council of Agricultural Research has since sanctioned a grant of Rs. 1,10,698 spread over three years to carry on industrial research at this Creamery and the training of students on the same lines as before.

(e) The statistics for the last five years show that, except in regard to butter, there has been a steady decline in the importation of dairy products as a whole.

(f) There is little doubt that large quantities of milk produced in remote villages throughout India find no remunerative market at present owing mainly to the prohibitive cost of transportation and to the lack of a suitable organization for collecting, processing and marketing.

(g) The Honourable Member is referred to the answer I have given to part (d) of this question.

(h) The information is published in the Sea Borne Trade Returns, to which the Honourable Member's attention is invited.

(i) and (j). The Government of India realize that the cattle breeding and dairying industries of India are susceptible of improvement and consistently with their financial resources they have done what they could to help these industries. As the Honourable Member is aware, the subject is now primarily the concern of Local Governments and it is hoped that as finances improve, the claims of cattle breeding and dairying will receive sympathetic attention from all those authorities who are in a position to help.

RECRUITMENT OF MOPLAHS IN THE ARMY.

1384. *Mr. M. Maswood Ahmad: (a) Have Government seen the text of the resolution passed by the Kerala Muslim Majlis held at Himayatul Islam Sabha Hall at Calicut in connection with the recruitment of Moplahs in the Army?

(b) Is there any ban to their enlistment in the army of the country?

(c) Are Moplahs considered a martial race? If not, why not?

(d) Will Government kindly lay a list of the races which are classed as martial on the table of this House?

(e) Have Moplahs ever been tried as soldiers, and with what result?

(f) Are Moplahs not entitled to have the same opportunity of serving Government and the country, as other communities in India have?

(g) Are Government prepared to consider the desirability of removing the ban which at present seems to exist for the recruitment of Moplahs in the army?

Mr. G. R. F. Tottenham: (a) Yes.

(b), (c), (e), (f) and (g). The attention of the Honourable Member is invited to the answer I gave on the 7th November, 1932, to starred question No. 902, asked by Mr. Uppi Sahab Bahadur.

Government have since decided to open recruitment for Moplahs in the Indian Territorial Force as an experimental measure.

(d) The attention of the Honourable Member is invited to the answer to starred question No. 888, asked by Mr. Ram Narayan Singh on the 6th September, 1927.

Mr. M. Maswood Ahmad: May I know from Government what is the criterion for deciding the question as to whether a particular race is a martial race or not?

Mr. G. R. F. Tottenham: I have already referred the Honourable Member to the answer to a question put in 1927 on that subject. If the Honourable Member wishes, I will repeat that answer now:

"No particular caste, class or community is officially recognised by Government as martial or otherwise, but units of the Indian Army have always been organized on a class basis; and, as there are limits to the size of that army, only a limited number of classes can ordinarily find a place in it. The classes selected are those which, from the point of view of military efficiency alone, the military authorities prefer to enlist."

Dr. Ziauddin Ahmad: Are Muslims from the United Provinces included among the martial races?

Mr. G. R. F. Tottenham: I must ask for import that question. A good many of them are, I am sure.

Dr. Ziauddin Ahmad: Is it not a fact that like the Madrassis, they have always been excluded from recruitment in the army?

Mr. G. R. F. Tottenham: I do not know which particular class my Honourable friend is referring to; but, if he will put a question on the paper, I will answer that question.

Mr. M. Maswood Ahmad: Do Government propose to give a trial to the Moplahs?

Mr. G. R. F. Tottenham: The Moplahs have already been given a crumb of comfort by being enlisted in the Territorial Force. I suggest that they should swallow that crumb and endeavour to digest it before asking for more.

Diwan Bahadur A. Ramaswami Mudaliar: May I ask the Army Secretary whether there is any technical difficulty from the army point of view in organising a cosmopolitan unit composed of more than one class?

Mr. G. R. F. Tottenham: All over India?

Diwan Bahadur A. Ramaswami Mudaliar: The Army Secretary said that the organisation of the army is based on forming units of classes and, as there can be only a limited number of units, there can be only a limited number of classes. Agreeing that there should be a limited number of units, is there any technical difficulty, from the military point of view, in reserving a few units for cosmopolitan recruitment, so that this grievance about martial and non-martial races may be removed?

Mr. G. R. F. Tottenham: I think there would be considerable practical difficulties in organising units which would be entirely composed of cosmopolitan classes. Most of the units of the Indian army contain more than one class even now, but the companies in each battalion are generally of a single class. There would be considerable difficulties in breaking up those companies and allowing them to consist of a large number of different classes.

Diwan Bahadur A. Ramaswami Mudaliar: Then how does the Honourable Member propose to give a chance to those classes who have not already been recruited to the army, to have a military training and a military career?

Mr. G. R. F. Tottenham: The only opportunity they have at present is to join the Territorial Force.

Mr. M. Maswood Ahmad: Do Government wish that those Moplahs should take up arms in their hands to prove that they are a martial race?

Mr. R. S. Sarma: Have they not done it?

REPRESENTATION OF THE TRAVELLING TICKET EXAMINERS OF THE EAST INDIAN RAILWAY.

1385. ***Mr. M. Maswood Ahmad:** (a) Will Government kindly state whether they have received any representation from the Travelling Ticket Examiners of the East Indian Railway?

(b) If so, what action have Government taken on it and how long will they take to arrive at a decision on it?

Mr. P. R. Rau: A memorial was received from the Travelling Ticket Examiners of the East Indian Railway in March last and orders have been issued on it.

RECOMMENDATIONS OF THE WAR PENSIONS COMMITTEE.

1386. *Lala Rameshwar Prasad Bagla: (a) Is it a fact that according to Government orders on recommendation No. 9 of the War Pensions Committee held at Simla in June, 1933, regarding pension of non-combatant military employees invalidated on account of disability and disease contracted during the Great War 1914-18, Government have no objection in allowing the old rules and rates to be applied in those cases, if any, where they would be more favourable to an individual?

(b) Will Government kindly state the date from which the current rates came into force?

(c) Is it a fact that copies of questions Nos. 591 to 596 and their replies given on the 4th September, 1933, in this House, have been forwarded to the Controller of Military Pensions, Lahore? If not, do Government now propose to forward copies of those questions and answers, together with those of this question and its answer to the Controller, Military Pensions, Lahore, for information and favour of action accordingly?

Mr. G. R. F. Tottenham: (a) Yes, but the decision requires the confirmation of the Secretary of State whose sanction has been applied for.

(b) 1st January, 1922.

(c) The attention of the Honourable Member is invited to the answer I gave on the 1st December, 1933, to starred question No. 1263.

UNSTARRED QUESTIONS AND ANSWERS.

SALARIES PAID IN THE OFFICE OF THE DIRECTOR OF COMMERCIAL INTELLIGENCE IN INDIA.

267. Shaikh Sadiq Hasan: (a) Will Government be pleased to state the amount of salaries paid monthly in the departments of the Director of Commercial Intelligence in India?

(b) How much out of that amount is drawn by Muslims?

The Honourable Sir Joseph Bhoré: (a) The salaries paid in the month of October, 1933, amounted to Rs. 7,068-10, in the case of officers, and Rs. 17,822 in the case of the staff, including inferior servants.

(b) Rs. 1,334-6 out of Rs. 17,822 mentioned above.

CLERKS IN THE CLOTHING FACTORY, SHAHJAHANPUR.

268. Mr. M. Maswood Ahmad: Will Government be pleased to state:

(a) the total number of clerks (of all grades) working on the 1st September, 1933, in the Clothing Factory, Shahjahanpur, separately in:

- (i) Main Office,
- (ii) Provision Office,
- (iii) Production Office;

(b) the total number of Muslim clerks in each one of the above offices;

(c) the percentage of Muslim clerks in the entire Factory (all Branches) during 1930, 1931 and 1932?

Mr. G. R. F. Tottenham: The information asked for is being collected and will be laid on the table.

CLERKS DISCHARGED IN THE CLOTHING FACTORY, SHAHJAHANPUR.

269. Mr. M. Maswood Ahmad: Will Government be pleased to enquire and state:

(a) how many Muslim clerks were discharged during 1930, 1931 and 1932 in the Clothing Factory, Shahjahanpur;

(b) how many non-Muslim clerks were discharged during 1930, 1931 and 1932?

Mr. G. R. F. Tottenham: The information asked for is being collected and will be laid on the table.

CLERKS APPOINTED, RE-INSTATED OR RE-ENGAGED IN THE CLOTHING FACTORY, SHAHJAHANPUR.

270. Mr. M. Maswood Ahmad: Will Government be pleased to enquire and state how many Muslim and non-Muslim clerks have been appointed, re-instated, or re-engaged in the Clothing Factory, Shahjahanpur, during September and October, 1932?

Mr. G. R. F. Tottenham: The information asked for is being collected and will be laid on the table.

DENIAL OF CERTAIN BENEFITS TO THE INDUSTRIAL HANDS OF THE EAST INDIAN RAILWAY PRESS.

271. Mr. S. C. Mitra: (a) Is it a fact that the compositors, binders and distributors of the Government of India Presses are in the superior service and they enjoy all the benefits such as pensions, etc. like the clerical staff?

(b) Is it a fact that the industrial hands in the superior service of the East Indian Railway Press are not allowed benefits like the clerical staff of the press? If so, will Government be pleased to state the reason for the same?

(c) If the answer to part (a) be in the affirmative, will Government be pleased to state the reasons for placing the superior industrial hands of the East Indian Railway Press, Calcutta, in the category of workshop staff?

Mr. P. R. Rau: (a) I understand that the compositors, binders and distributors in the Government of India Presses are treated as superior staff and are eligible to the benefits of pension or contributory provident fund in the same way as clerks.

(b) and (c). I have called for certain information and will lay a reply on the table in due course.

**LEAVE, HOLIDAYS, ETC., FOR THE INDUSTRIAL HANDS OF THE EAST
INDIAN RAILWAY PRESS.**

272. Mr. S. C. Mitra: (a) Is it a fact that the industrial hands such as compositors, etc., of the Government of India Presses are all equally treated in matters of leave, holidays, etc., irrespective of grades or earnings?

(b) Is it a fact that the industrial hands such as compositors, binders, etc., of the East Indian Railway Press, Calcutta, are not treated equally in matters of granting leave?

(c) If the answers to parts (a) and (b) be in the affirmative, will the Honourable Member in charge, Railways and Commerce, be pleased to state the reasons for the differential treatment as mentioned in part (b)?

Mr. P. R. Rau: (a) The reply is in the negative.

(b) Government have no reason to think that this is correct.

(c) Does not arise.

**ACTION TAKEN ON CERTAIN RESOLUTIONS PASSED BY THE PRESS
EMPLOYEES' ASSOCIATION, CALCUTTA.**

273. Mr. S. C. Mitra: (a) Is it a fact that the Honourable Member in charge, Railways and Commerce, has received the copies of the Annual Report and Resolutions passed at the Annual General Meeting of the Press Employees Association, Calcutta, a registered and recognised body, held on the 19th August, 1933, under the presidency of Mr. Fazlul Huq, M.A., B.L., ex-Minister, Government of Bengal?

(b) Has the attention of the Honourable Member been drawn to Resolution Nos. 5 and 19 to 24? If so, will the Honourable Member be pleased to state the action taken or intended to be taken in the matters? If not, why not?

Mr. P. R. Rau: (a) and (b). A copy of the Annual Report and Resolutions passed at the Annual General Meeting of the Press Employees' Association, Calcutta, held on the 19th August, 1933, was received by the Railway Board. But the Association is not recognised by the Government of India and no action is, therefore, proposed to be taken on the Resolutions.

**APPOINTMENT OF THE PRESENT OVERSEER, EAST INDIAN RAILWAY PRESS,
AND RESOLUTIONS PASSED AT A MEETING OF THE PRESS EMPLOYEES
OF THE EAST INDIAN AND EASTERN BENGAL RAILWAYS PRESSES.**

274. Mr. S. C. Mitra: (a) Is it a fact that under the rules a Government servant found to be incompetent to hold his office under a Provincial Government cannot be employed in any other Government office—Provincial or Imperial?

(b) Is it a fact that the present overseer, East Indian Railway Press, Riverside Shed, was employed in the Bengal Government Press just previous to his appointment in the present post?

(c) Is it a fact that serious allegations were made in the Bengal Legislative Council in August, 1928, by Babu Nagendra Nath Sen, M.L.C., against the present overseer, East Indian Railway Press, Howrah, while employed in the Bengal Government Press, Calcutta?

(d) Is it a fact that the present overseer, East Indian Railway Press, Howrah, lost his appointment in the Bengal Government Press and was subsequently employed in the East Indian Railway Press in 1928?

(e) If the answers to parts (a) to (d) be in the affirmative, will Government be pleased to state how the present overseer, East Indian Railway Press, Howrah, has been appointed to the post?

(f) Is it a fact that the Honourable Member in charge, Railways and Commerce, has received a letter, dated the 31st July, 1933, from the Secretary, Press Employees' Association, Calcutta—a registered and recognised body—sending a copy of the resolutions passed at a public meeting of the press employees of the East Indian and Eastern Bengal Railway Presses, held on 29th July, 1933? If so, has the attention of the Honourable Member been drawn to resolution No. 7? If so, what action has been taken in the matter? If not, why not?

Mr. P. R. Rau: (a) No.

(b) to (d). Government have no information.

(e) Does not arise.

(f) The reply to the first part of the question is in the affirmative. The letter was forwarded to the Agent, East Indian Railway who was competent to deal with the matters contained therein.

RETRENCHMENTS AND DEMOTIONS OF THE INDUSTRIAL STAFF OF THE EAST INDIAN RAILWAY PRESS.

275. **Mr. S. C. Mitra:** (a) Is it a fact that drastic retrenchments and demotions in the industrial staff of the East Indian Railway Press, Calcutta, have recently been carried out on economic grounds?

(b) Is it a fact that the present Superintendent, East Indian Railway Press has been allowed an increment of Rs. 30 on and from the 20th October, 1933?

(c) If the answer to parts (a) and (b) be in the affirmative, will Government be pleased to state the reasons for the action mentioned in part (b)?

Mr. P. R. Rau: (a) Retrenchments and demotions have been made in the East Indian Railway Press on grounds of economy.

(b) and (c). The pay of the Superintendent, East Indian Railway Press before its amalgamation with the Eastern Bengal Railway Press was Rs. 950. After the amalgamation the pay of the post of Superintendent was fixed in the scale, Rs. 600—1,000 and in view of the fact that the present Superintendent was drawing Rs. 950 for the last four years, his pay was fixed at Rs. 1,000.

INTRODUCTION OF NEW CONDITIONS OF SERVICE IN THE EASTERN BENGAL RAILWAY PRESS.

276. **Mr. S. C. Mitra:** (a) Is it a fact that in 1930 new conditions of service were introduced in the Eastern Bengal Railway Press, Sealdah, and an agreement was entered into between the staff of the Press and Government?

(b) Is it a fact that before entering into the agreement the salaried staff was allowed to exercise their option to elect themselves to remain under the old leave rules?

(c) Is it a fact that the salaried compositors and the distributors elected themselves to remain under the old leave rules by signing the printed forms supplied to each of them by the authorities for the purpose?

(d) Is it a fact that the Agent, Eastern Bengal Railway, issued, in his letter No. 313/O/E IV, dated the 17th December, 1931, orders regarding leave and holidays for the press staff?

(e) Is it a fact that the staff of the press were divided into four categories in the Agent's circular, and the compositors and distributors were placed in category IV (a) (Industrial Superior Establishment)?

(f) Is it a fact that in accordance with Railway Board's letter No. 229-E. G., dated the 20th February, 1931, it was declared that 20 days' holidays with full pay would be granted to all the press staff and the persons of category IV who elected to remain under the old leave rules would be allowed full pay on closed holidays?

(g) Is it a fact that the compositors and the distributors enjoyed the holidays according to the said rules framed for the purpose till the date of amalgamation with the East Indian Railway Press?

(h) Is it a fact that the services of the Eastern Bengal Railway Press staff were transferred to the East Indian Railway Press with the conditions of services remaining in tact?

(i) Is it a fact that after the amalgamation the Superintendent, East Indian Railway Press issued a circular to the effect that the salaried compositors and distributors of the Eastern Bengal Railway Press, would not be granted holidays according to the Agent's (Eastern Bengal Railway) circular mentioned in part (d)?

(j) Is it a fact that the readers, copyholders, timekeepers, etc., of the Eastern Bengal Railway Press, were of the same category as the compositors and distributors, viz., Industrial Superior Establishment, before the amalgamation?

(k) Is it a fact that the readers, copyholders and timekeepers, have been allowed to enjoy the holidays as per Eastern Bengal Railway Agent's circular even after the amalgamation?

(l) If the answers to parts (a) to (k) be in the affirmative, will Government be pleased to state:

(i) the reasons for the issue of the circular mentioned in part (i) above, and

(ii) whether the order of the Printing Superintendent as mentioned in part (i) is tantamount to the violation of the agreement entered into between the Eastern Bengal Railway Press staff and the authorities regarding the conditions of service? If not, why not?

Mr. P. R. Rau: I have called for information and will lay a reply on the table in due course.

MEMORIAL OF INKMEN OF THE GOVERNMENT OF INDIA PRESS, CALCUTTA.

277. **Mr. S. C. Mitra:** (a) Is it a fact that in reply to the unstarred question No. 125, asked in this House by Mr. Bhuput Sing the Honourable Member in charge, Department of Industries and Labour stated on 20th September, 1933, that the memorial of inkmen of the Government of India Press, Calcutta, was engaging the attention of the Controller of

Printing and Stationery and would be considered by Government when his proposals were received?

(b) If the answer to part (a) be in the affirmative, will Government be pleased to state whether the proposals of the Controller of Printing and Stationery have been received by them? If so, have Government considered the proposals? If not, when do they expect to receive the same?

The Honourable Sir Frank Noyce: (a) Yes.

(b) The memorial has been considered by Government who have decided not to grant the request made in it.

MEMORIAL OF TEMPORARY BINDERS OF THE GOVERNMENT OF INDIA PRESS,
CALCUTTA.

278. **Mr. S. C. Mitra:** (a) Is it a fact that in reply to the unstarred question No. 126 asked in this House by Mr. Bhuput Sing the Honourable Member in charge, Department of Industries and Labour, stated on the 20th September, 1933, that the memorial of the temporary binders of the Government of India Press, Calcutta, was engaging the attention of the Controller and would be considered by Government when his proposals were received?

(b) If the answer to part (a) be in the affirmative, will Government be pleased to state, whether proposals of the Controller have been received by them? If so, have Government considered the proposals? If not, when do they expect to receive the same?

The Honourable Sir Frank Noyce: (a) Yes.

(b) The answer to the first part is in the negative. It is not possible to say at present when the Controller's proposals will be received.

PRINTING OF POST AND TELEGRAPH FORMS.

279. **Mr. S. C. Mitra:** (a) Is it a fact that in reply to question No. 127, dated the 20th September, 1933, Government stated that the printing of Post and Telegraph forms, whose value is about Rs. 2,20,000, could not be managed by the Government of India Press, Calcutta?

(b) If the answer to part (a) be in the affirmative, will Government be pleased to state:

- (i) whether the opinion of the Manager of the Government of India Press, Calcutta, was obtained in this respect;
- (ii) if so, whether Government will be pleased to lay on the table a copy of the opinion of the Manager;
- (iii) if the opinion had not been obtained, whether Government will be pleased to state the reasons for the same?

The Honourable Sir Frank Noyce: (a) The reply to part (f) of unstarred question No. 127 given in the Legislative Assembly on the 20th September, 1933, was "No".

(b) The question was not referred to the Manager because Government had sufficient information in their possession,

AMOUNT PAID BY GOVERNMENT TO CONTRACTORS FOR OUTSIDE PRINTING WORK.

280. Mr. S. C. Mitra: (a) Is it a fact that in reply to question No. 52, dated the 6th September, 1922, the Honourable Mr. H. A. F. Lindsay, stated in the Council of State that the Contractors were paid Rs. 7,16,510 in 1920-21 for outside printing work?

(b) Is it a fact that in reply to question No. 72, dated 23rd August, 1926, the Honourable Mr. A. H. Ley stated in the Council of State that the contractors were paid in 1920-21, the sum of Rs. 6,23,564 for printing work?

(c) Is it a fact that in reply to starred question No. 248, dated the 2nd February, 1931, Mr. J. A. Shillidy stated in this House that the amount paid to the Contractors for printing work in the year 1929-30 was Rs. 4,02,000?

(d) Is it a fact that the Controller of Printing and Stationery, when forwarding to Government the annual statistical return showing the working of the Government of India Presses made a statement to the effect that during 1929-30, the payments for outside printing reached up to Rs. 12,93,697?

(e) If the answers to parts (a) to (d) be in the affirmative, are Government aware, on reference to different statements, that huge amounts of public money have been wasted in payment to the Contractors? If so, do Government propose to stop the placing of printing work with Contractors? If not, will Government be pleased to state the reasons for the different statements mentioned in parts (a), (b), (c) and (d)?

The Honourable Sir Frank Noyce: (a) No. What the Honourable Mr. Lindsay stated was that the total amount paid to Messrs. Lal Chand and Sons in 1920-21 was Rs. 7,16,510. This sum included, besides the charges for outside printing work, the charges for storage and distribution of forms.

(b) and (c). Yes.

(d) Yes. But the amount of Rs. 12,93,697 includes, besides charges for printing work, the cost of paper and materials supplied to contractors on behalf of Departments.

(e) This does not strictly arise, but I would add that public money is not wasted when adequate services are secured in return and that the reasons for the differences between the figures will be evident from the previous replies.

CONCESSIONS TO TEMPORARY PRESS EMPLOYEES OBLIGED TO RETIRE BEFORE THE COMPLETION OF THE 25 YEARS' SERVICE.

281. Mr. S. C. Mitra: (a) Is it not a fact that according to Government Resolution No. A-31, dated the 15th July, 1920, the piece employees of the Government of India Presses, who were appointed on the 15th July, 1920 and were not made permanent, were entitled to pensions after the completion of 25 years' service?

(b) Is it a fact that in reply to question No. 356(a), dated the 21st March, 1931, Mr. J. A. Shillidy stated in this House that according to Government's circular, the employees of the Government of India Presses, who were appointed before the 15th July, 1920, and were not made permanent, would be entitled to a bonus in case they were obliged to retire before completion of their 25 years' service?

(c) Is it not a fact that several employees of the Government of India Presses, who were appointed before the 15th July, 1920, and have rendered 15 to 18 years' service and who have not been made permanent, have recently been obliged to retire before the completion of 25 years' service?

(d) If the answers to parts (a) to (c) be in the affirmative, will Government be pleased to state what consideration has been shown with regard to the employees mentioned in part (c)? If none, why not?

The Honourable Sir Frank Noyce: (a) No; but by subsequent modifications of the orders then passed, pieceworkers of the Government of India Presses who were in employment in the regular establishment on the 15th July, 1920, and were not made permanent were given the right to pensions after the completion of 25 years' service.

(b) Yes.

(c) I am not clear for which period the information is required but if the Honourable Member refers to the recent discharge from service of certain employees of the Government of India Press, Calcutta, the reply is in the negative.

(d) Does not arise.

DISCHARGE WITHOUT DUE NOTICE OF CERTAIN EMPLOYEES OF THE GOVERNMENT OF INDIA PRESS, CALCUTTA.

282. Mr. S. C. Mitra: (a) Is it not a fact that it is imperative on the part of Government to give a month's notice to employees before they are discharged from service?

(b) Is it not a fact that in lieu of a month's notice the discharged employees are entitled to a month's pay in case their services are suddenly dispensed with?

(c) Is it not a fact that several employees of the Government of India Press, Calcutta, have recently been discharged without giving them a month's notice on the ground of their being on the "Fluctuating staff"?

(d) Is it not a fact that the discharged employees were entitled to contribute to the Provident Fund and deductions were made accordingly?

The Honourable Sir Frank Noyce: (a) and (b). No; it depends on the conditions on which the employees are engaged.

(c) Yes.

(d) No deductions are made from the pay of employees on this account so long as they are paid as members of the fluctuating staff. I cannot say whether contributions were made while any of them were acting in other appointments.

HANDICAPS OF PIECE-RATED EMPLOYEES OF THE GOVERNMENT OF INDIA PRESS, CALCUTTA.

283. Mr. S. C. Mitra: (a) Are Government aware that whenever any retrenchment is made in the Government of India Press, Calcutta, the "axe" falls only on the piece employees of the said Press?

(b) Is it a fact that the emergency cut of 5 per cent. has equally been applied to the salaried as well as piece-rated employees of the Government of India Press, Calcutta?

(c) Is it a fact that the earnings of the piece-workers of the Government of India Press, Calcutta, are daily decreasing and those of the salaried hands like Cashiers, Computers, Accountants, Clerks, Readers, etc., are increasing?

(d) Are Government aware that the decrease in the earnings of the piece-workers would adversely affect their pension?

(e) Is it a fact that with the introduction of the system of work as laid down in Government Resolution No. A.-31 dated the 15th July, 1920, trouble broke out in the Government Presses, the piece-rated employees apprehending a further decrease in their earnings with the introduction of the new system?

(f) Is it a fact that on the 14th September, 1920, a Resolution was moved by the Honourable Mr. G. S. Khaparde in the old Indian Legislative Council demanding a mixed-Committee to investigate and report on the causes of the trouble in the Government Presses and to propose remedial measures?

(g) Is it not a fact that during the debate on this Resolution Sir Thomas Holland, the President, Board of Industries and Munition, added "I promise the men (pieceworkers) that I will tear up the Government Resolution, if they do not get better income for shorter hours of work". "I am quite willing to lay the whole result before a Committee of the Council to allow that Committee to judge whether I have been fair to the workers"?

(h) Is it not a fact that the Government of India Resolution No. A.-31, dated the 15th July, 1920, stated that the compositors of the Government of India Presses used to earn Rs. 35 to Rs. 90 according to old class rates?

(i) Is it not a fact that by the said Resolution an increment of 40 per cent. was given to all workers and accordingly the earnings of the compositors worked out at from Rs. 49 to Rs. 126?

(j) Is it not a fact that in course of the debate on the abolition of piece-work system in Government Presses the Honourable Mr. A. H. Ley stated in the Council of State on the 23rd August, 1926, that a compositor in Calcutta got Rs. 122?

(k) Is it not a fact that the Honourable Member in charge, Department of Industries, stated in this House on the 20th September, 1933, that the maximum and minimum earnings of the compositors in Calcutta for 1931-32 were Rs. 82 and Rs. 41 respectively?

(l) If the answers to parts (c) to (k) be in the affirmative, will Government be pleased to state:

(i) whether the earnings of the compositors of the Government of India Press, Calcutta, are decreasing and if so, the reasons for the same;

(ii) whether they are willing to lay the whole result of the working of the Government Resolution No. A.-31, dated the 15th July, 1920; before a Committee of this House as promised by Sir Thomas Holland; if not, why not?

The Honourable Sir Frank Noyce: (a) No.

(b) Yes.

(c) I have no reason to suppose that the earnings of pieceworkers for normal hours of work are decreasing daily. The pieceworkers receive biennial increments in class rates just as the salaried hands on time scales of pay who receive annual increments.

(d) A decrease in the earnings of pieceworkers affects their pension only if it occurred during the last 72 months of their superior service.

(e) No: there was trouble prior to the Resolution.

(f) and (g). Yes.

(h) and (i). The attention of the Honourable Member is invited to the reply given on the 20th September, 1933, to parts (b) and (d) of unstarred question No. 129 in the Legislative Assembly.

(j) No. The Honourable Mr. Ley stated that a compositor in Calcutta in the month he examined, i.e., April, 1926, got Rs. 122 in that month.

(k) Yes. The figures given represent the average monthly earnings during 1931-32.

(l) (i) The attention of the Honourable Member is invited to the reply to part (c) above.

(ii) The result of the working of the terms sanctioned for pieceworkers in the Resolution of 1920 was laid before the Pieceworkers' Committee in 1922 and I invite the attention of the Honourable Member to paragraph 14 on pages 12 and 15 of that Committee's Report, which is available in the Library.

To avoid the possibility of misunderstanding I should add that Sir Thomas Holland's statement related to the effect of the changes made in 1920 and should not be regarded as a guarantee to pieceworkers for all time of the earnings they got in 1920, irrespective of changes in the work available and other factors.

EARNINGS OF THE DISTRIBUTORS OF THE GOVERNMENT OF INDIA PRESSES, CALCUTTA AND SIMLA.

284. **Mr. S. C. Mitra:** (a) Is it not a fact that the earnings of the distributors of the Government of India Presses, Calcutta and Simla are daily decreasing?

(b) Is it not a fact that the decrease in earnings will affect the pensions of the distributors?

(c) Is it not a fact that the distributors used to get the same class rates as the compositors before 1928?

(d) Is it not a fact that the class rates of the distributors were lowered after 1928?

(e) If the answers to parts (a) to (d) be in the affirmative, will Government be pleased to state the reasons for the action mentioned in part (d)?

The Honourable Sir Frank Noyce: (a) and (b). No distributors are employed in the Simla Press. As regards distributors in the Calcutta Press, the attention of the Honourable Member is invited to the replies given by me today to parts (c) and (d) of his unstarred question No. 55.

(c), (d) and (e). The attention of the Honourable Member is invited to the reply given by the Honourable Sir Bhupendra Nath Mitra to his starred question No. 724, dated the 21st March, 1930.

STOPPAGE OF PROMOTION OR INCREMENT OF PIECE-EMPLOYEES OF THE GOVERNMENT OF INDIA PRESSES FOR LEAVE ON MEDICAL GROUND.

285. Mr. S. C. Mitra: (a) Is it a fact that 40 per cent. increment was granted to both salaried hands and piece-employees of the Government of India Presses at Calcutta and Delhi as per Resolution No. A-31, dated the 15th July, 1920?

(b) Will Government be pleased to give a statement showing the pay or earnings of the following staff of the Government of India Presses, drawn by each of them before the 15th July, 1920, and after the general increment in July, 1920, and also the present pay of:

- (i) Accountant, (ii) Cashier, (iii) Assistant Cashier, (iv) Head Assistant, (v) Head Computer, (vi) Head Reader, (vii) three clerks, three computers, three Readers (Junior and Senior), three Revisors (with names)?

(c) Is it a fact that no promotion or increment of the salaried hands in the Government of India Press, Calcutta, is stopped for leave on medical grounds?

(d) Is it a fact that promotion or increment is stopped in cases of piece-employees for leave on medical ground?

(e) If the answers to parts (c) and (d) be in the affirmative, will Government be pleased to state the reasons for the stoppage of promotion or increment in cases of piece-employees for leave on medical ground?

The Honourable Sir Frank Noyce: (a) The piece rates for the presses at Calcutta and Delhi were increased by 40 per cent. The salaried hands were granted approximately an increase of ten per cent. on earnings up to Rs. 70 a month and 5 per cent. on earnings over Rs. 70.

(b) The information is not available and its collection would involve an amount of time and trouble disproportionate to the result.

(c) and (d). Leave on pay whether granted on medical grounds or for other reasons counts for increments for salaried hands and piece-workers alike.

(e) Does not arise.

ACTION TAKEN ON CERTAIN RESOLUTIONS PASSED BY THE PRESS EMPLOYEES' ASSOCIATION, CALCUTTA.

286. Mr. S. C. Mitra: (a) Is it a fact that the Honourable Member in charge, Department of Industries and Labour has received copies of Annual Report and Resolutions passed at the Annual General Meeting of the Press Employees' Association, Calcutta, a registered and recognised body, held on the 19th August, 1933, at Calcutta under the presidentship of Mr. Fazlul Huq, M.A., B.L., *ex-Minister* under the Government of Bengal?

(b) If the answer to part (a) be in the affirmative, has the attention of Government been drawn to the Resolutions Nos. 8 to 18? If so,--

(i) will Government be pleased to place on the table of this House a copy of the same;

(ii) will Government be pleased to state what action has been taken or intended to be taken in the matter? If not, why not?

The Honourable Sir Frank Noyce: (a) and (b). Government have received a copy of the Report and of the Resolutions. But as the Honourable Member was informed in reply to his starred question No. 258 of 2nd February, 1931, the Association is not recognized by the Government of India. No action has, therefore, been taken on the Resolutions now received, and Government do not propose to lay a copy of Resolutions 8 to 18 on the table of the House.

**INCREASE OF THE PAY OF THE EASTERN BENGAL RAILWAY TICKET
PRINTING STAFF.**

287. **Mr. S. C. Mitra:** (a) Is it a fact that on the introduction of new conditions of services in November, 1930, as sanctioned by the Railway Board, in the Eastern Bengal Railway Press, Sealdah, an increment of 40 per cent. to all employees of the Press was allowed along with the increase of working hours?

(b) Is it a fact that the Ticket Printing Section of the Eastern Bengal Railway Press remained unaffected, even with the introduction of the new system, both with regard to the increase in working hours as well as increment in pay?

(c) Is it a fact that with the amalgamation of the Eastern Bengal Railway Press with the East Indian Railway Press the services of the Ticket Printing employees were transferred to the East Indian Railway Press, their condition of services remaining the same as before?

(d) Is it a fact that the staff of the Ticket Printing Section, Eastern Bengal Railway, worked till October, 1933, on the old basis of working hours?

(e) Is it a fact that on and from the 1st November, 1933, the working hours of the staff of the Eastern Bengal Railway Ticket Printing Section have been increased by orders of the Agent, East Indian Railway, bringing them under the orders of the Railway Board as regards working hours of the Press?

(f) Is it a fact that simultaneously with the increase of working hours no increment in pay has been allowed to the Ticket Printing staff, Eastern Bengal Railway?

(g) If the answers to parts (a) to (f) be in the affirmative, will Government be pleased to state whether they intend to increase the pay of the Eastern Bengal Railway Ticket Printing staff proportionately with the increase of working hours?

Mr. P. B. Rau: I have called for information and will lay a reply on the table in due course.

**REDUCTION IN THE NUMBER OF POSTAL BEATS IN THE SANKARPUR
VILLAGE, JESSORE DISTRICT.**

288. **Mr. S. C. Mitra:** (a) Is it a fact that the villagers of Sankarpur under the Naldi Post Office in the district of Jessore submitted three memorials to the Honourable Member-in-charge, Department of Industries and Labour, Government of India, through the Divisional Superintendent, in the months of January, May and July, 1933, praying for the daily beat in their village?

(b) Is it a fact that no reply was given to any of these memorials?

(c) Is it a fact that the number of beats in the village of Sankarpur under the Naldi Post Office in the district of Jessore has been reduced to three in place of five?

(d) Is it a fact that the number of beats in the village Habakhali under the Post Office Naldi has been increased from two to six?

(e) Will Government be pleased to lay on the table of this House, a comparative statement showing the number of registered letters, money orders, insurance, newspapers and ordinary letters delivered during the last two years, 1931 and 1932, respectively, in the village of Sankarpur and Habakhali under the Naldi Post Office in the district of Jessore?

(f) If the answer to parts (a) to (d) be in the affirmative, will Government be pleased to state the reasons therefor? If not, why not?

The Honourable Sir Frank Noyce: (a) to (f). Government have not been able to trace the receipt of any such memorials as those referred to by the Honourable Member: a reference is, however, being made to the Postmaster-General concerned and a reply to the Honourable Member's questions will be placed on the table in due course.

INCREASE IN THE NUMBER OF PEONS AND INTRODUCTION OF THE SYSTEM OF DAILY BEATS IN THE NALDI POST OFFICE, JESSORE.

289. Mr. S. C. Mitra: (a) Is it not a fact that the income from the Post Office, Naldi, in the district of Jessore is more than that from the Post Office, Nawhatta in the same district?

(b) Will Government be pleased to state the number of peons employed in the Post Offices of Naldi and Nawhatta, respectively, in the district of Jessore?

(c) Will Government be pleased to state whether they contemplate increasing the number of peons and introducing the system of daily beat in the Naldi Post Office?

The Honourable Sir Frank Noyce: (a) to (c). The information is being obtained and a reply will be placed on the table in due course.

ANNUAL REPAIRS TO THE TELEGRAPH QUARTERS AT BAIRD ROAD, NEW DELHI.

290. Mr. D. K. Lahiri Chaudhury: (a) Will Government be pleased to state whether it is a fact that the annual repairs to the telegraph quarters at Baird Road have not been completed as yet, while repairs to all other quarters under the Public Works Department were completed long ago?

(b) If the answer to part (a) be in the affirmative, will Government please state what is the cause of this delay and when the repairs to the telegraph quarters are likely to be completed?

(c) Who is the local officer in charge of maintenance and repairs to these telegraph quarters? Did he visit these quarters any time during the last five years? If so, when? If not, why not?

(d) Is it a fact that the Telegraph Department makes the payments to the contractors without verifying the nature of work done by them or without obtaining any completion certificate from the occupants of these quarters?

(e) Do Government propose to bring about any improvement in the present state of things?

The Honourable Sir Frank Noyce: (a) No: the annual repairs of the Baird Road telegraph quarters have been completed. Attention is being paid to some remaining defects and to some additional items of work desired by the occupants.

(b) Does not arise.

(c) The Central Public Works Department had charge up to July, 1933, and subsequently the Divisional Engineer, Telegraphs, Delhi. The quarters were duly visited and inspected by the appropriate officers from time to time.

(d) All repair work is inspected and measurements are recorded and checked before payments to contractors are made. Completion certificates from occupants are not obtained.

(e) Government do not consider that any action beyond that indicated in the reply to part (a) of the question is necessary.

REPAIRS TO PATHS IN FRONT AND SIDES OF THE TELEGRAPH QUARTERS ON BAIRD ROAD, NEW DELHI.

291. **Mr. D. K. Lahiri Chaudhury:** (a) Will Government be pleased to state whether they are aware that the paths in front and sides of telegraph quarters on Baird Road have not been repaired for the last few years and whether these paths are full of ditches?

(b) Are Government aware that the telegraph employees putting up in these quarters have to pass through these paths during all parts of the day and night to attend to their duties at a great personal risk and inconvenience?

(c) Do these paths belong to the Telegraph Department? If so, who is the officer in charge to look after these paths? When were these paths last visited by this officer?

(d) Do Government propose to have these paths repaired at an early date? If so, when? If not, why not?

The Honourable Sir Frank Noyce: (a) No. Such repairs as were necessary were duly carried out from time to time. There are some shallow depressions in some of the paths, caused by the recent heavy rains and these are receiving attention.

(b) Telegraph employees have to use these paths but no personal risk or appreciable inconvenience is involved.

(c) The paths in front of the telegraph quarters are the property of the Posts and Telegraphs Department. The Divisional Engineer, Telegraphs, Delhi is in charge of them at present, and last visited them on the 23rd November, 1933.

(d) The repairs to the paths are being attended to.

RULES FOR THE RECRUITMENT OF TELEPHONE OPERATORS.

292. **Mr. Gaya Prasad Singh:** (a) Will Government please state whether there are any rules or system of recruitment to the posts of

telephone operators, or whether it is within the absolute discretion of the Divisional Engineers concerned to appoint whomsoever they like?

(b) If the reply to the first portion of part (a) be in the affirmative, will Government lay on the table a copy of the rules or state the system of recruitment?

The Honourable Sir Frank Noyce: (a) and (b). There are at present no definite rules and recruitment is made by the local Divisional Engineers, Telegraphs, at their discretion. I may, however, inform the Honourable Member that the question of prescribing definite rules for such recruitment is under the consideration of the Director-General.

**APPOINTMENT OF CHRISTIAN GIRLS AS TELEPHONE OPERATORS IN THE
AGRA TELEGRAPH SUB-DIVISION.**

293. Mr. Gaya Prasad Singh: (a) Is it a fact that Government have issued orders to the effect that in the United Provinces Circle one-third of the vacancies in the Posts and Telegraphs Department should be reserved for minority communities and the remaining two-thirds for the Hindus?

(b) Is it a fact that recently the Divisional Engineer, Telegraphs, Agra Division, filled up all the six permanent posts by the appointment of Christian girls who never appeared at the 1930 examination and were not on the approved list?

(c) Is it a fact that at the time of appointment of these Christian girls, there were many candidates whose work was satisfactory, and who had been working in officiating vacancies from time to time as a result of the 1930 examination?

(d) Will Government please state why the 1933 examination was held?

(e) If the replies to parts (a), (b) and/or (c) be in the affirmative, will Government please state why the claims of the 1930 examination candidates were overlooked in filling up the six permanent posts and why all the six vacancies were filled up by members of minority communities?

(f) Are Government prepared to place these girls on the officiating list and fill up the permanent posts at the Cawnpore, Hapur, Mussoorie and Saharanpur Exchanges by officiating men who passed the 1930 examination or in the alternative, are they prepared to see that the 1930 candidates are given permanent vacancies as soon as they occur, without their being subjected to any further recruitment examination? If not, why not?

(g) Will Government please state whether these girl operators worked at any Exchange office before appointment and whether they were senior to all the officiating operators?

(h) Will Government please state whether any educational qualifications have been laid down for the appointment of telephone operators? If so, what are they?

(i) Is it a fact that matriculated operators have been superseded in the matter of permanent appointments by non-matriculates, whether males or females? If so, why?

(j) Is it a fact that non-matriculates are still kept on the list of approved candidates for telephone operatorships in the Agra Division in spite of the fact that approved matriculates are available? If so, why?

The Honourable Sir Frank Noyce: (a) The reply is in the negative. (b) to (j). Information has been called for and will be laid on the table of the House in due course.

**TRANSFER OF THE COMPANY MANAGEMENT OF THE EAST INDIAN RAILWAY
TO THE GOVERNMENT OF INDIA.**

294. Mr. S. G. Jog: Will Government be pleased to state the date on which the actual transfer of the Company management of the East Indian Railway to the Government of India was effected?

Mr. P. E. Rau: The East Indian Railway has been under State management since the 1st January, 1925.

**STRENGTH OF CERTAIN STAFF BEFORE AND AFTER THE TRANSFER OF THE
EAST INDIAN RAILWAY TO STATE MANAGEMENT.**

295. Mr. S. G. Jog: (a) Will Government be pleased to lay on the table a statement showing the actual strength against the sanctioned strength of the old East Indian Railway (Company managed), Oudh and Rohilkhand Railway (State managed) and the East Indian Railway (State-managed) as on the 1st April, 1924, 1st April 1925 (the date on which the actual transfer took place) and on the 1st November, 1933, of the following posts:

Transportation (Traffic) Group:—

Inspectors, Station Superintendents; Station Masters, Controllers, Yard Masters, Assistant Station Masters (Higher Grade), Assistant Yard Masters, Assistant Controllers; Station Masters (Lower Grade), Goods or Passenger Guards, Assistant Station Masters (Lower Grade), Probationer Guards, Signallers, Signaller-in-Charge, Head Signaller, etc., etc., Platform Inspectors, Conductor Guards, Brakesman, Pilot Guard, etc., etc.;

Transportation (Commercial) Group:—

Inspectors, Conductors, Travelling Ticket Inspectors, Travelling Ticket Examiners, Head Ticket Collectors, Ticket Collectors, Assistant Head Ticket Collectors, etc., etc.; Coaching and Booking Clerks, Assistant Booking and Parcel Clerks, Head Booking and Parcel Clerks, etc.; Chief Goods Clerk, Head Goods Clerk, Goods Clerk, Transshipment Clerks, Dealing Clerks, Assistant Goods Clerks, etc., etc.; Station Master's Clerks, Train Clerk, etc.;

Transportation (Power) Group:—

Inspectors, Running Shed Foreman, Assistant Running Shed Foreman, Shedman in charge, Head Fitter, Fitter, Fuel Inspectors, Assistant Fuel Inspector, Pump Inspector, Cinder Inspector, etc., etc.; Drivers (respective Grade), Shunters (respective Grade), Fireman (respective Grade), Cleaners, etc., etc.?

(b) Will Government be pleased to lay on the table a statement showing the classes of employees entitled to free house or in lieu thereof house rent before 1928 and after 1928, respectively?

Mr. P. E. Rau: The information is not readily available, and Government regret their inability to collect it as they do not consider that the expense and trouble involved in getting it will be justified by the value of the results achieved.

ENFORCEMENT OF THE NEW GRADES OF THE SUBORDINATE STAFF OF THE STATE RAILWAYS.

296. **Rai Bahadur Lala Brij Kishore:** (a) Will Government be pleased to state if they have come to any final decision as regards the enforcement of new grades of the subordinate staff of the State Railways? If so, will they be pleased to lay the information on the table of this House?

(b) Do Government propose to consider the feasibility of offering to the staff already in employment prior to 1931, the option of electing the new grades, should they consider them to be to their benefit?

(c) Do Government propose to instruct the Agents of the State Railways that in fixing the gradation of each station yard and goods shed in the new grades, care be taken that if the Station Master or Yard Master of a station or yard is placed in the highest grade, the staff employed under him, such as Assistant Station Master, Assistant Yard Master and Head Trains Clerk, is also placed in the highest grade applicable to such staff?

Mr. P. B. Rau: The question of revision of scales of pay for subordinate staff on Railways is still under consideration. The points raised by the Honourable Member will be considered before a decision is arrived at.

PROVISION OF FACILITIES FOR TRANSFER TO THE STAFF OF THE OLD OUDH AND ROHILKUND RAILWAY.

297. **Rai Bahadur Lala Brij Kishore:** Are Government aware that the old Oudh and Rohilkhand Railway staff working on the (old) East Indian Railway Section of the East Indian Railway experience considerable hardship due to being employed at stations far from their homes and also in the matter of grades, etc., and do Government propose to consider the feasibility of instructing the Agent, East Indian Railway, to provide special facilities to such of the Oudh and Rohilkhand Railway staff who desire a transfer to the old Oudh and Rohilkhand Railway Section?

Mr. P. R. Rau: I have sent a copy of the question to the Agent, East Indian Railway for consideration of the suggestion made by the Honourable Member.

ALLOWANCES OF THE TRAVELLING TICKET EXAMINERS ON THE EAST INDIAN RAILWAY.

298. **Mr. D. K. Lahiri Chaudhury:** (a) Will Government please state if Supplementary Rule No. 49 applies to Railway servants, and that certain uniform daily allowances have been fixed by the Railway Board; for instance, for staff drawing up to:

Rs. 50	12 annas a day ;
between Rs. 50 and Rs. 100	Rs. 1 a day ?

(b) Is it a fact that the Travelling Ticket Examiners on the East Indian Railway are given monthly fixed allowance, at the rates shown below :

Old Travelling Ticket Examiners drawing below Rs. 100	. Rs. 35	per mensem.
New Travelling Ticket Examiners grade I (Rs. 70—5—95)	. Rs. 20	"
" " " " " II (Rs. 55—3—04)	. Rs. 15	"

(c) If the replies to parts (a) and (b) be in the affirmative, will Government please state the reasons why staff drawing salaries between Rs. 50 and 100 per mensem are not granted allowance at uniform rates and whether they are now prepared to grant them the same allowance?

Mr. P. R. Rau: (a) and (b). My Honourable friend's information is substantially correct.

(c) The reasons for granting a higher scale of consolidated travelling allowance to Travelling Ticket Examiners who, prior to the Crew System, had held permanent posts of Travelling Ticket Inspectors in a substantive capacity and drawn a mileage and running allowance were explained by me in reply to question No. 476 asked by my Honourable friend, Sardar Sant Singh, on the 4th September, 1933, to which I would draw my Honourable friend's attention.

UNIFORMS OF TRAVELLING TICKET EXAMINERS AND TICKET COLLECTORS ON THE EAST INDIAN RAILWAY.

299. **Mr. D. K. Lahiri Chaudhury:** Will Government please state the cost of uniform clothing of Travelling Ticket Examiners and Ticket Collectors on the East Indian Railway separately per head, and whether Government are prepared to enforce the same uniform for Travelling Ticket Examiners given as to Ticket Collectors? Is it a fact that the uniform clothing for Ticket Collectors costs less than the uniform clothing of Travelling Ticket Examiners?

Mr. P. R. Rau: Government have no information, but I shall convey the suggestion in the question to the Agent of the East Indian Railway.

REVISION OF THE GRADES OF THE TRAVELLING TICKET EXAMINERS ON THE EAST INDIAN RAILWAY.

300. **Mr. D. K. Lahiri Chaudhury:** Will Government please state whether they propose revising the grades of the Travelling Ticket Examiners of the East Indian Railway on the lines similar to those prevailing on the North Western Railway as follows:

Rs. 66-4-90;

Rs. 105-5-140;

Rs. 150-10-190?

Mr. P. R. Rau: No.

DEDUCTION OF SUBSCRIPTION FOR PARTIES FROM THE PAY OF THE EMPLOYEES OF THE GOVERNMENT OF INDIA PRESS, SIMLA.

301. **Sardar Sant Singh:** Are Government aware that whenever any party is arranged by the Government of India Press, Simla, the Cashier deducts the necessary amount from the pay of the employees, when he disburses it? If so, do Government propose to instruct the Manager of the said Press to ask the Cashier to stop this practice in future, and to collect the subscriptions (if voluntarily offered) afterwards?

The Honourable Sir Frank Noyce: I am informed that subscriptions were given voluntarily to the Cashier by the employees at the time of disbursement of pay; but I agree that the collection of subscriptions in this manner is undesirable and the Manager will be asked to see that the practice is discontinued.

**ALLEGATIONS AGAINST THE HEAD CLERK OF THE GOVERNMENT OF INDIA
PRESS, SIMLA.**

302. Sardar Sant Singh: (a) Are Government aware that the treatment and behaviour of the Head Clerk of the Government of India Press, Simla towards his subordinates is very harsh and unbecoming?

(b) Is it a fact that the employees of the Government of India Press, Aligarh, made similar complaints against him during his term of office there?

(c) Is it a fact that while he was in the Aligarh Press the Manager of the Press had to call upon the police to take the Head Clerk to his residence under their guard on many occasions? If so, what were the reasons for seeking police help?

The Honourable Sir Frank Noyce: (a) No; no complaint has been received against the conduct of the Head Clerk either by the Manager or the Works Committee of the Simla Press.

(b) and (c). The present management have no knowledge of these matters and there is nothing on record in the Press.

USE OF A EURASIAN COMPANY OF ARTILLERY IN THE BHUTAN WAR.

303. Mr. E. H. M. Bower: (a) Was a Eurasian Company of Artillery used in the Bhutan war of 1864—66?

(b) When was that unit formed, and when was it disbanded?

(c) What was its sanctioned strength?

Mr. G. R. F. Tottenham: The records are being examined and a reply will be laid on the table in due course.

EURASIAN COMPANY OF ARTIFICERS.

304. Mr. E. H. M. Bower: (a) Was a Eurasian Company of Artificers in existence in Madras between the years 1880 and 1895?

(b) When was that unit formed, and when was it disbanded?

(c) What was its sanctioned strength?

Mr. G. R. F. Tottenham: The records are being examined and a reply will be laid on the table in due course.

**GRANT OF INCREMENTS TO THE OFFICIALS OF THE MADRAS GENERAL POST
OFFICE.**

305. Rao Bahadur M. C. Rajah: (a) With reference to their reply to question No. 137 on the 20th September, 1933, regarding grant of increments to the officials of the Sorting Office, Madras General Post Office, will Government be pleased to state whether any decision has yet been arrived at in the matter?

(b) If the answer to part (a) be in the affirmative, will Government be pleased to state the nature of the decision?

(c) If the answer to part (a) be in the negative, do Government propose to decide the case early? Are Government aware that it is pending for a considerably long time, causing a good deal of anxiety and hardship to the persons affected?

The Honourable Sir Frank Noyce: (a) The reply is in the negative.

(b) Does not arise.

(c) Government are aware of the facts mentioned by the Honourable Member in the second part of this question and are taking steps to expedite a decision.

**UNIFORMS SUPPLIED TO INDIAN AND ANGLO-INDIAN TICKET COLLECTORS
OF THE HOWRAH DIVISION, EAST INDIAN RAILWAY.**

306. **Mr. S. C. Mitra:** Is it a fact that the Indian Ticket Collectors of the Howrah Division, East Indian Railway, were given two pants and one alpaca coat as uniform in summer while the Anglo-Indian Ticket Collectors were given three coats and three pants? If so, will Government be pleased to state the reason for such racial discrimination?

Mr. P. R. Rau: With your permission, Sir, I propose to reply to this and the following question together. I have called for information and will lay a reply on the table in due course.

**UNIFORMS SUPPLIED TO INDIAN AND ANGLO-INDIAN TICKET COLLECTORS
OF THE HOWRAH DIVISION, EAST INDIAN RAILWAY.**

4307. **Mr. S. C. Mitra:** Is it a fact that Indian Ticket Collectors of the Howrah Division, East Indian Railway, have not been supplied with full uniform, i.e., a coat and a pant, and that the Anglo-Indian Ticket Collectors have been supplied with full uniforms? If so, will Government be pleased to state the reasons for such racial discrimination?

MOTION FOR ADJOURNMENT.

ELECTION OF MEMBERS TO THE CALCUTTA PORT HAJ COMMITTEE.

Mr. President (The Honourable Sir Shammukham Chetty): Order, order. I have received a notice from Mr. Muhammad Anwar-ul-Azim that he proposes to ask for leave to make a motion for the adjournment of the House today for the purpose of discussing a definite matter of urgent public importance as follows:

"The denial of facilities to the Bengal Moslem Members of the Central Legislature to exercise their electoral rights in the forthcoming election of members to the Calcutta Port Haj Committee."

I have to enquire whether any Honourable Member has any objection to this motion.

The Honourable Sir Brojendra Mitter (Leader of the House): I take a point of order. My first objection is that this notice is too vague. It does not say what action or inaction constitutes the denial of facilities. Sir, you will appreciate that facilities may be denied by not framing rules under section 7 of the Haj Committee Act. Facilities may be denied by not framing reasonable rules. Facilities may be denied by not following rules which have already been framed. In what particular way facilities have been denied is not stated and, therefore, it is vague. Then, again, the

†For answer to this question, see answer to question No. 306.

[Sir Brojendra Mitter.]

notice does not show any urgency. It simply says "exercise their electoral rights in the forthcoming election of members", and so on. What the urgency about it is, is not shown. On these grounds of vagueness and want of urgency, I submit that the notice is not in order.

Mr. Muhammad Anwar-ul-Azim (Chittagong Division: Muhammadan Rural): Mr. President, this was a foregone conclusion. I knew beforehand that Government would raise this objection. I am sorry I have to move this adjournment under the very great shadow of a calamity for my province. We have recently heard that the Home Member of the Government of Bengal is dead. That is a very great calamity, but still I hope that I shall be pardoned if I move this adjournment motion. Before Government knew what was the urgency and whether my grievance was sufficiently covered by my statement, I am certain it is not right on the part of my learned friend the Law Member to take these objections. What are the facts? By this very House, as late as March 1933. . . .

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member must state briefly how the motion is in order and answer the points which have been raised by the Honourable the Law Member.

Mr. Muhammad Anwar-ul-Azim: With regard to the first objection that it is vague, you will consider from what I have said in the body of the motion that I want the adjournment of the House to discuss a definite urgent matter of public importance. I have been in this House seven years and I think it is really not necessary to specifically mention in the body of the Resolution as to how it is a definite matter. The position is this. The Moslem Members, who come from the province of Bengal, have been denied the privilege of taking part in the election of the Port Haj Committee at Calcutta. As a matter of fact, Mr. President, you know that these electors were apprised of this election only on the 9th. It was the day fixed for sending in the nomination papers personally to the returning officer at Calcutta and, if that is not an urgent matter and a definite matter, I do not know what else could be. The Central Government exercise control at various ports and, as such, I think it is a very urgent matter and a definite matter and facilities in this matter of our electoral rights have been denied by the arbitrary action of the Government of Bengal.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): May I ask one question? The Honourable gentleman said that on the 9th December the nomination paper was to be handed over. What day is the voting to take place, because the nomination paper could be handed over by somebody else.

Mr. Muhammad Anwar-ul-Azim: You will kindly realise that the papers are to be personally handed over to the returning officer. That is to be done in the Writers' Buildings, Calcutta. The electors are spread all over India and, as a matter of fact, there is no date on that letter sent to us and I am supposed to send these papers filled up to reach the Calcutta authorities on the 9th and it seems to me there must have been some undue hurry on the part of the Government of Bengal which has deprived Members of the Assembly from taking part in this election.

Mr. M. Maswood Ahmad (Patna and Chota Nagpur *cum* Orissa : Muhammadan): If this matter is not discussed, there will be no other chance for Members of the Indian Legislature to discuss it. This question was raised when the Bill was under discussion. They said that sufficient chance would be given to the Members, so that they may be represented in these Committees. So in this way the matter is urgent as well, because the elections are going to take place very soon.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair understands that the election referred to in this motion is conducted by the Government of Bengal and that it is not a matter with which the Government of India is concerned. The Chair cannot overrule an adjournment motion on the ground that it is a matter which concerns primarily a Local Government and, in that respect, the Chair considers that there is a serious lacuna in the Legislative Rules which govern the procedure. Apart from that, this motion is not definite in the sense in which the word is used in the rule relating to adjournment motions. It is too vague. The Chair relies also for this on a definite ruling given in the House of Commons. Viscount Curzon wanted to move:

"An adjournment of the House for the purpose of discussing a definite matter of urgent public importance, namely, the failure of the Government to provide adequate facilities for the protection and removal of disbanded members of the Royal Irish Constabulary and their families to England."

"The failure of the Government to provide adequate facilities", and, on that, Mr. Speaker said:

"I think the Noble Lord must submit a more definite motion than that."

and then he said he could not accept the motion that had been put forward. On the same analogy, the Chair holds that this motion is too vague and not definite in the sense in which the word is used in the Rules. The Chair, therefore, holds that this motion is not in order.

STATEMENTS LAID ON THE TABLE.

The Honourable Sir Joseph Bhore (Member for Commerce and Railways): Sir, I lay on the table the information promised in reply to starred question No. 673 asked by Mr. Bhuput Sing on the 6th September, 1933.

RETRENCHMENT IN THE OFFICE OF THE HIGH COMMISSIONER FOR INDIA, LONDON.

*673. (a) The present number is 62.

(b), (c), (d) and (e). No retrenchment committee was appointed in London for the office of the High Commissioner for India. The question of possible economies was very carefully examined departmentally in the light of the report of the General Purposes Sub Committee of the Retrenchment Advisory Committee, and the High Commissioner thereafter submitted to the Government of India his detailed survey and recommendations on which they issued their orders. In the case of his Store Department, the High Commissioner conducted his preliminary investigations through a Departmental Committee, consisting of his Deputy, Mr. A. M. Green, C.I.E., I.C.S.,

as Chairman, the Director-General, India Store Department, Sir Stanley Paddon, C.I.E., and the Auditor of Home Accounts, Mr. W. A. Sturdy, C.B.E., as Members, with Mr. K. R. Menon, I.C.S., as Secretary.

(f) Present number	{	Officers	79
		Others	498
Total	..		577

Number on 1st April 1931, i.e., prior to retirement.	{	Officers	87
		Others	562
Total	..		649

(g) Officers	..	7
Others	..	66
Total	..	73

(h) Officers	..	7
Others	..	55
Total	..	62

(i) Officers	..	None
Others	..	9 retrenched, all on temporary ten- ure.
		2 resigned and places not filled,
Total	..	11

The Honourable Sir Harry Haig (Home Member): Sir, I lay on the table the information promised in reply to starred question No. 817 asked by Mr. M. Maswood Ahmad on the 12th September, 1933.

RELEASE OF MEMBERS OF THE WORKING COMMITTEE OF THE JAM'AT-UL-ULEMA-I-HIND.

*817. (a) and (d). I would refer the Honourable Member to the reply I gave to Maulvi Sayyid Murtaza Sahab Bahadur's starred question No. 969 on the 16th September, 1933.

(b) So far as I am aware there are none in jail at present.

(c) Five have been prohibited from entering Delhi.

Mr. G. S. Bajpai (Secretary, Department of Education, Health and Lands): Sir, I lay on the table:

- (i) the information promised in reply to starred question No. 1165 asked by Maulvi Syed Murtuza Sahib Bahadur on the 10th April, 1933, and
- (ii) the information promised in reply to unstarred question No. 151 asked by Mr. M. Maswood Ahmad on the 20th September, 1933.

CAUSES OF THE DEATH OF ONE HAJEE VAJEEHUDDIN.

*1165. His Majesty's Minister at Jedda, from whom an enquiry was made, has reported that only two cases were known to the Legation of accidental death of pilgrims at sea in the two preceding years and that they had received no report of the death of a pilgrim named Hajee Vajeehuddin.

FREE OCCUPATION OF GOVERNMENT QUARTERS BY CERTAIN EMPLOYEES OF THE ARCHAEOLOGICAL DEPARTMENT.

151. (a) A statement is given below.

(b) The basis of the concession is that the officers are required, for the efficient discharge of their duties, to reside within or in the immediate neighbourhood of the areas under their charge.

(c) The matter is under consideration.

Statement showing the names of the subordinates in the Archaeological Department, excluding inferior servants, who are provided with rent-free quarters.

1. Mr. K. N. Puri, Custodian Archaeological Area and Museum at Mohenjodaro (Sind).
2. Mr. W. J. Brosnan, Custodian, Agra Fort.
3. Mr. G. Tanner, Custodian, Historical Area, Delhi Fort.
4. Mr. Trow, Caretaker, Residency Buildings, Lucknow.
5. Mr. M. M. Nagar, Custodian, Archaeological Museum, Sarnath, Benares District.
6. Mr. Mata Prasad Varma, Conservation Assistant, Qutb Buildings, Delhi.
7. Mr. A. C. Webb, Custodian, Archaeological Area, Lahore Fort.
8. Mr. D. K. Sen, Custodian, Elephanta Caves (Bombay Presidency).
9. Mr. Patankar, Assistant Custodian, Elephanta Caves (Bombay Presidency).
10. Mr. Chowkar, Custodian, Karla Caves.

Mr. G. R. F. Tottenham (Army Secretary): Sir, I lay on the table the information promised in reply to starred question No. 917 asked by Sardar Sant Singh on the 13th September, 1933.

ARMY HEADQUARTERS SPECIAL TRAIN BETWEEN SUMMER HILL AND SIMLA.

917. (a) The number of military technical clerks now actually residing in quarters allotted to them by Government at Summer Hill, and entitled under military rules to free conveyance on account of living at a place more than two miles (not half a mile which applies to children only) away from office is 13. This number is however liable to fluctuation, and as there are altogether 24 technical clerks employed in Army and R. A. F. Headquarters, there is a potential liability to provide free conveyance for that number. A copy of the rule is appended.

(b) The cost of 2nd class railway fares to 24 clerks and 12 children is Rs. 2,700 per annum. The cost for 13 clerks and 12 children would be only Rs. 1,710 per annum.

Copy of paragraph 155-II, Passage Regulations, India.

"Individuals who are entitled to free accommodation and reside in quarters allotted to them free by the State situated more than two miles from their place of work are entitled to draw conveyance allowance at the following rates, provided they are not in receipt of horse, pony or other allowance intended to cover expenses of transit and suitable Government transport cannot be supplied :

Pedal cycle, or other privately owned conveyance.	$\frac{1}{2}$ anna a mile or part of a mile, subject to a maximum of Rs. 10 per mensem.
Public conveyances, e.g., motor bus, tram cars, &c.	Actual expenses not exceeding one anna a mile or part of a mile and limited to a maximum of Rs. 10 per mensem."

Mr. P. R. Rau (Financial Commissioner, Railways): Sir, I lay on the table :

- (i) the information promised in reply to starred question No. 250 asked by Sheikh Sadiq Hassan on the 31st August, 1933;
- (ii) the information promised in reply to starred questions Nos. 473 and 474 asked by Sardar Sant Singh on the 4th September, 1933;
- (iii) the information promised in reply to starred question No. 908 asked by Bhai Parmu Nand on the 13th September, 1933;
- (iv) the information promised in reply to parts (a) to (d) of starred question No. 1034 asked by Pandit Satyendra Nath Sen on the 20th September, 1933; and
- (v) the information promised in reply to unstarred question No. 159 asked by Mr. T. N. Ramakrishna Reddi, on the 26th September, 1933.

APPOINTMENT OF CERTAIN TICKET COLLECTORS AS SPECIAL TICKET EXAMINERS IN THE LAHORE DIVISION OF THE NORTH WESTERN RAILWAY.

*250. The Agent, North Western Railway reports as follows :

(a) Yes, as a temporary measure.

(b), (c), (d), (f), (g), (h) and (i). These appointments were in the first instance filled by a Selection Board held on the 26th June, 1933, but as amongst those appointed some junior men had been selected, a fresh Selection Board was ordered, and when held on the 25th July, 1933, made selection from the most senior and suitable Ticket Collectors; hence these questions do not now arise.

(e) Seniority and suitability were the chief criteria in the selection that took place on the 25th July, 1933; experience of having worked in the Flying Squad being considered an asset.

DENIAL OF CERTAIN CONCESSIONS TO TRAVELLING TICKET EXAMINERS ON THE NORTH WESTERN RAILWAY.

*473. All Special Ticket Examiners including those who were previously called Travelling Ticket Examiners have to check tickets both on running trains and at stations. Their programme is fixed from time to time by the Head Special Ticket Examiner after approval by the Divisional Commercial Officer.

(a) and (b). They do not perform duties directly connected with the charge of running trains and as such do not come under the definition of running staff and are not given the mileage allowance which is admissible to running staff only.

REDUCTION OF TRAVELLING TICKET EXAMINERS ON THE NORTH WESTERN RAILWAY.

*474. On 1st June, 1931, when the North Western Railway decided to abolish the posts of Travelling Ticket Examiners, the staff concerned were asked whether they would accept posts of Special Ticket Examiners or not. All the men to whom the offer was made accepted it.

(a) and (b) Travelling Ticket Examiners not being running staff, the orders applicable to running staff, when appointed to stationary posts, permanently or temporarily, do not apply to them.

(c) In view of the reduction in their emoluments caused by their being brought on the scales of pay for Special Ticket Examiners, Government decided to give them the option to retain their old scales of pay with increments accruing therein and to give them as an *ex gratia* measure consolidated travelling allowance from December, 1932. Government are not prepared to go beyond this.

(d) Government are not aware of any cases in which the reduction was so high as 50 per cent.

CIRCULATION OF A PROPOSAL FOR PURCHASE OF DERBY SWEEP TICKETS BY THE DIVISIONAL SUPERINTENDENT, MORADABAD DIVISION, EAST INDIAN RAILWAY.

*903. The Agent, East Indian Railway reports that at the request of the staff they were advised that Derby Sweep tickets would be purchased for them if they so desired, it being a privilege that is appreciated by them, and that the money was sent through a person who was proceeding to Calcutta on official business.

The expenditure incurred by the administration in this connection was negligible. It may be added that the Agent has taken measures to stop such a practice in future.

DISCHARGE OF RAILWAY EMPLOYEES IN CERTAIN DEPARTMENTS IN THE DINAPORE DIVISION.

*1034. (a) and (b) The number of men discharged during 1932 and 1933 in the different departments is given below :—

Department.	1932.		1933.	
	Medical unfitness.	Offences.	Medical unfitness.	Offences.
Engineering	124	..	108	..
Transportation	60	11	39	9
Power	23	6	23	8
Rolling Stock	15	..	41	5
Total	222	17	211	22

(c) Two.

(d) No one had been discharged on suspicion.

No.	Designation.	Grade.
		Rs.
1	Chief Foreman	650—700
1	Asstt. Foreman (Mech.)	300—15—10—385
1	" " (Steam)	300—15—10—385
1	" " (Elec.)	300—15—10—385
1	Head Mistry	112—8—4—140
1	Engineer room fitter	86
2	" " fitters	60 each.
3	Boiler House "	86 "
2	Electric Fitters	100 "
2	Wiremen	75 "
2	Crane Drivers	50 "
1	Blacksmith	93
1	Machineman	86
1	"	112
2	Painters	69 "
1	Carpenter	66
1	Bricklayer	60
2	Asstt. Fitters	39 "
1	Hammerman	24—1—30
41	Coolies	22—1—27 "

THE RESERVE BANK OF INDIA BILL.

Mr. President (The Honourable Sir Shanmukham Chetty): The House will now resume consideration of clause 8 of the Reserve Bank of India Bill.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Non-Muhammadian Rural): Sir, as both Nos. 78 and 79 relate to the same purpose and No. 79 is better drafted, if you will permit me I shall not move my amendment and Mr. Sitaramaraju may be allowed to move his amendment.

Mr. B. Sitaramaraju (Ganjam *cum* Vizagapatam: Non-Muhammadian Rural): Sir, I move:

"That in subclause (1) (a) of clause 8 of the Bill, after the words 'the Governor General in Council' the words 'of whom two shall be Indians' be inserted."

Sir, in moving this amendment, my object is two-fold. One is very obvious, namely, that to these very important offices of this Bank there should be a predominant number of Indians appointed, and the other is to record my protest against the view held by some Honourable Members of the Joint Committee who thought that, if one of the appointments were for Indians, that would satisfy them. Sir, even this Government, however irresponsible, I do not think, would ever try to exclude totally all Indians from these important offices, and, therefore, there is no meaning in saying that at least one of those offices must be held by Indians. Those Honourable Members were betraying a sense of inferiority complex which most of us on this side of the House cannot share. It may also be said in this connection that the Governor General in Council is given discretion in this matter and that we should not ask now how that discretion should be exercised. Sir, this is no reflection upon the Governor General in Council. We merely want to ensure for our own satisfaction that Indians should have a predominant voice in it and, to secure that end, we want that two out of the three appointments should go to Indians. With these words, Sir, I move my amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (1) (a) of clause 8 of the Bill, after the words 'the Governor General in Council' the words 'of whom two shall be Indians' be inserted."

Mr. Thampan has got a similar amendment, but with a slight difference. Does he want to move it?

Mr. K. P. Thampan (West Coast and Nilgiris: Non-Muhammadan Rural): Yes, Sir. I beg to move:

"That to sub-clause (1) (a) of clause 8 of the Bill, the following proviso be added :

"Provided that of the Governor and two Deputy Governors two at least shall be Indians'."

Sir, the House turned down yesterday the proposal to have only one Deputy Governor and decided that there should be two Deputy Governors. Now I propose that both of them should be Indians. Otherwise, the chances would be that the Governor General would appoint one Englishman and an Indian with the result that the Governor would take the former into his confidence and put the Indian Deputy Governor only in charge of the ordinary routine work and day to day transactions. We want the Indian Deputy Governor to rise to be the Governor at the next vacancy. Of course it might be urged by my friends of the European Group that this kind of discrimination ought not to be made in specific terms in the Statute, but I do want to say that the Europeans are taking pretty good care to see that provisions for safeguarding their interests are made wherever possible in the Constitution Act, and it is an irony fate that in this country the Indians are prevented from coming into their own. Therefore, I urge that both of the Deputy Governors should be Indians. It is a matter to which we attach great importance and we on this side of the House feel that we cannot agree to any compromise on this matter.

Mr. President (The Honourable Sir Shanmukham Chetty): Further amendment moved:

"That to sub-clause (1) (a) of clause 8 of the Bill, the following proviso be added :

"Provided that of the Governor and two Deputy Governors two at least shall be Indians'."

Mr. B. Sitaramaraju: Sir, I ask leave of the House to withdraw my amendment.

The amendment was, by leave of the Assembly, withdrawn.

Raja Bahadur G. Krishnamachariar (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): Sir, there is an amendment standing in my name practically to the same effect and that was unfortunately drawn up with the certain conviction that there was going to be only one Deputy Governor appointed. So, if you will kindly allow me to say, "or the two Deputy Governors"—instead of the word "Deputy-Governor" being in the singular, my amendment will be the same as Mr. Thampan's . . .

Mr. President (The Honourable Sir Shanmukham Chetty): Then why not have Mr. Thampan's amendment?

Raja Bahadur G. Krishnamachariar: I could support that without moving my amendment. Sir, I know I am at some disadvantage, because the Honourable the Finance Member, if I mistake not, said he was in sympathy with the object of this amendment when he said distinctly—I hope I am not misquoting him,—I am speaking from memory—he said that if he were an Indian, he would not be satisfied with asking for one Indian to be appointed a Deputy Governor, but that all the officials should be Indians, or at least both the Deputy Governors should be Indians. Sir

The Honourable Sir George Schuster (Finance Member): Sir, my Honourable friend has distinctly misrepresented what I said. What I said was that if I were an Indian, I would not ask for these Statutory provisions at all. I should rely on the merits of my countrymen to assert themselves.

Raja Bahadur G. Krishnamachariar: It is no use wrangling over this small matter, I know, but he also said, I think, that it shows a mistrust of ourselves, or something like that; but, Sir, I submit in the first instance, that so far as one Deputy Governor is concerned, no such consideration seems to have entered into the head of the Government when they said that out of the two Deputy Governors one should be an Indian. They did give us that assurance, and, even from their point of view, if they consider that both these Deputy Governors may be Indians, will they give an assurance to the effect that both of them shall be Indians? I do not know why, if the idea is to provide as many appointments as could be efficiently filled by Indians for Indians, and if the attitude of the Government is not to find out how to exclude Indians, I do not know why there should be any difficulty. But I proceed further. I want that there should be a Statutory declaration and I say that for two reasons. In the first place, it is not tantamount to discrimination of any sort. There have been discriminations in every walk of life, and the most flagrant one is that, even after nearly 50 years' agitation, the European British subjects do not want to be tried by Indians. Is that or is that not discrimination? Sir, I believe—I have not yet had time to look up the Air Force or the Naval Force Act, but I believe there is discrimination specifically recognized. There is discrimination, for instance, in the matter of the appointments open to the Indian Civil Service; there is discrimination unfortunately even amongst ourselves that there should be so many Hindus, so many Muhammadans, so many Brahmans, so many non-Brahmans and all that sort of thing. Therefore, if you look at this matter and judge the system of government that obtains in this country, it teems with discrimination. So, I do not understand why there should be any objection with regard to this and I submit that it is purely a case of straining at a gnat and swallowing a camel. But I do not stop at that. I happen to know a gentleman of the name of Mr. R. K. Shanmukham Chetty who is now, by the grace of God, the Honourable Sir Shanmukham Chetty. At one time he has been a valiant fighter of our cause and, unfortunately for us, he has been lost to us when our need is the sorest, although he occupies a more distinguished position where he would be of

[Raja Bahadur G. Krishnamachariar.]

some use to us some day. That gentleman, while he was talking on the old Reserve Bank Bill regarding the provision in the Statute of an exactly similar nature, said the following. The reason why I am quoting his words is that it is impossible for me, however much I may try to put it in such a vigorous language and in such eloquent terms. This is what he said:

"By bitter experience we have realised that there is no more use pinning our faith even to solemn declarations made on the floor of this House."

That, I think, is a sufficient answer to the appeal made to me by my Honourable friend, the Finance Member, that he gave a promise in the Select Committee which he has repeated in this House:

"Nothing short of a Statutory provision (*I would request my Honourable friends on this side as well as my Honourable friend on the other side to note this*) of this nature will satisfy the Honourable Members on this side of the House."

You were then standing, Sir, on this side and not on the other side of the House:

"I want the House to bear this in mind that if the first Governor or Deputy Governor is not to be an Indian for 15 years, you may not have an Indian for this post."

Now, it shall be for 25 years:

"If the first Governor and the Deputy Governor happen to be non-Indians, we may have to wait for 15 or 20 years to get an Indian Deputy Governor on the Board and I, therefore, implore the House to bear the importance of this provision in mind."

And so respectfully I would.

Sir, it is not the statement of an inexperienced man, nor is it the statement on a Congress platform or one of an agitator. It is the statement of a Member of this House who spoke with the full sense of responsibility and especially of a man who knew what he was talking about. If any authority was wanted, this statement alone would suffice. Upon that one statement, I would ask my Honourable friends on this side of the House to support this amendment as I do whole-heartedly. But I do not stop there. People who have read the famous or the notorious Ilbert Bill agitation and the proceedings of the then Imperial Legislative Council would probably remember one important fact. There was a gentleman of the name of Mr. H. S. Thomas, who unfortunately came from my district in the Madras Presidency. He was called Processional Thomas. He came here and he said about the Queen's Proclamation that it was nothing at all and that it need not be given any weight. In support of his statement, he quoted the authority of Sir James Fitz-James Stephen, who was at that time one of Her Majesty's Judges in England, but prior to that he had been a distinguished Law Member of the Government of India. He said that the Queen's Proclamation was not part of the Statute of the Law of England and, therefore, it was not binding. Now, the Marquess of Ripon, who was then the Viceroy, pulled himself six feet high and in the predecessor of this Assembly said:

"We do not want one of Her Majesty's Judges to tell us that the Queen's Proclamation does not form the Statutory law of England and, therefore, the argument of Mr. Thomas that this provision was not being included in the Statute was of no binding force whatsoever."

Now, I want to cling to that position. It may not be said hereafter, in view of the long dismal story, that pledges are made and very frequently broken. I have already quoted as my authority on a similar question one of the distinguished Viceroy's of India, the late Lord Lytton, when he said, with regard to a pledge of giving encouragement to the Statutory Civil Servants after he laid down his office, that "we have cheated the Indian nation". That is the story of pledges of this sort. And have we not had unfortunate statements made with regard to pledges even within the last two years by those gentlemen who profess to have great authority and influence in England? Therefore, without casting any aspersions upon the pledges made by the Government of India which I know they want to respect, circumstances may happen when even the Government of India may not be able to fulfil them. Sir, in the year 1931, when England went off the gold standard, there was an Ordinance or something like that passed here and within 24 hours it had to be repealed. Did or did not the Government of India believe that that Ordinance was in the interests of India? Why had it to be repealed? Because, in that felicitous phrase of the Right Honourable John Morley, I must say that the Government of India are only a subordinate branch of the British Government. It is somewhat difficult for us, having had experience of all these things for the last 150 years, when even the Queen's Proclamation was attacked upon the ground that it was not a Statutory enactment, to be satisfied unless there is a provision in the Statute-book of these things. So, I ask that this be entered in the Statute-book so that, hereafter, when these appointments come to be made, it may not be said that, although it is perfectly true that a pledge was made, yet the circumstances have changed, the circumstances have so conspired themselves that it is impossible, inadvisable and undesirable to give effect to those pledges and upon that ground they may now be set aside. That is the reason why I say that this provision should find its place on the Statute-book; and there is another reason why this should be so. I have been told that an amendment of this sort will strengthen the hands of the diehards in England who may say: "Here you are: Do they not suspect us?" My answer to that is that those who have read the newspaper report of the interview given by the Honourable Sir Phiroze Sethna, who is not an agitator, but a hard-headed businessman, wherein he said that, after an experience of two or three years in England of these Round Table Conference meetings, he had come to the conclusion that there was a great deal of suspicion about Indians in England and unfortunately it was growing every day. So, I say that probably the same thing exists here. Suspicion breeds suspicion. I do not know who started the whole thing. The reason why I say that it will not give a handle to the diehards but, on the other hand, it will support the hands of the Government is that, if there is this provision now on the Statute-book, Government may hereafter say: "We cannot help it; there is the Statute, and the Indian Legislature has passed it; it is still in force and, therefore, we must appoint two Indians." Consequently, I submit that there is greater benefit and there is a greater chance of these pledges being fulfilled to the very letter if this provision is made in the Statute-book and I, therefore, respectfully ask this House to support this amendment and to pass it.

Mr. T. N. Ramakrishna Reddi (Madras ceded Districts and Chittoor: Non-Muhammadan Rural): Sir, I have great pleasure in supporting this amendment. The Honourable the Finance Member has just now stated

[Mr. T. N. Ramakrishna Reddi.]

that if he were an Indian, he would not require such a provision to be made in this Act, because the implication of what he says is that Indians are capable persons and that they do not stand in need of any such safeguard or provision in the Statute. That shows that he has got much confidence in the ability of Indians. Yesterday, when my Honourable friend, Mr. B. Das, moved his amendment for reducing the posts of Deputy Governors to one, the Honourable the Finance Member said that he could not take any such risks. That means if there was only one post of Deputy Governor, he would find it difficult to fill that post with an Indian. He meant that if there were two posts of Deputy Governors and one post of Governor, there would be two Englishmen and one Indian, and so he could take the risk of appointing one Indian against two Englishmen. But if there was only one post of Deputy Governor, he could not find a capable Indian to hold that post. There seems to be a little contradiction in these two statements. Indians have distinguished themselves wherever opportunity occurred to them. In the recent Ottawa Conference, the Indian representatives have distinguished themselves, whatever was the result of the Conference, there is absolutely no doubt with regard to the capacity of the Indian representatives who went there. So also in the various Conferences at Geneva and other places, the Indian representatives have acquitted themselves creditably well. It is not lack of intelligence, but it is only lack of opportunities for Indians to distinguish themselves that is responsible and this amendment only creates such opportunities so that there might be two Indians working in this important Reserve Bank. For these reasons, I have no hesitation in supporting this motion.

Mr. Gaya Prasad Singh (Muzaffarpur *cum* Champaran: Non-Muham-madan): Sir, I have full sympathy with the object which this amendment seeks to achieve. As a member of the Select Committee, I myself urged the claims of two Indians for appointment out of these three posts, but it was as a result of agreement arrived at between us that we did not press for its inclusion in the Act itself. Of course, it is quite open for this House to press this amendment and to have a statutory recognition embodied in the Act itself. I should like to clear one misapprehension to which expression was given by my Honourable friend, Mr. Raju, when he said that the members of the Select Committee were quite satisfied with having one Indian out of three. That is not so.

An Honourable Member: He said some of the members.

Mr. Gaya Prasad Singh: My Honourable friend, the Finance Member, has said that merit should be the sole criterion in this case, but may I ask whether merit has been the sole criterion always in the conferment of high appointments on Indians in this country? As was pointed out the other day, not a single Governor has been appointed during this long period in any of the provinces, except one, Lord Sinha, who was holding the post of the Governor of my province for a short period.

Sardar Sant Singh (West Punjab: Sikh): Was not Lord Sinha forced out of office?

Mr. Gaya Prasad Singh: That is a different matter. Is it to be said that no Indian, since the days of Lord Sinha, has been found capable of holding the permanent post of a Governor in this country? There are certain Departments in the Government of India itself from which Indians have been

rigorously excluded. I might mention the case of only one section from which Indians have been kept out, I refer to the Cypher Bureau of the Foreign and Political Department, and I myself was responsible for bringing this question repeatedly both in the Standing Finance Committee as well as on the floor of the House. But it was stated that there were some objections because the British Government in England did not want to have Indians to handle these Cypher Codes. But the position of a Britisher in this country is singularly advantageous. A Britisher in India, if he is ignorant, is said to be impartial, and if he is perverse, he is said to be an expert. (Laughter.) Now, I am going to refer to a Statutory recognition of racial-discrimination even in the Bank of England itself. In the Bank of England, it is stated "the members of the Court must be natural born or naturalised British subjects". This is given on page 262 of the "Central Banks" by Kisch. It is thus quite apparent that even in the Bank of England some sort of racial-discrimination is embodied in the Statute itself. I, therefore, think that it is not unreasonable on our part to claim that at least two out of three important posts at the head should be held by Indians, and I do not think that Government, unless they are dictated to by Whitehall, should be eager to oppose this amendment. Sir, I support the motion.

Mr. N. N. Anklesaria (Bombay Northern Division: Non-Muhammadian Rural): Sir, I yield to none in my desire to see my countrymen employed in responsible posts in this country. But my Honourable friends who have preceded me have failed to recognise that the object of this Bill is not to get Indians employed as Governors and Deputy Governors on the proposed Reserve Bank. Its sole object is to create a Reserve Bank for India which would function successfully.

Sardar Sant Singh: Without men.

Mr. N. N. Anklesaria: I submit that, situated as we are with our connections with the financial world of England, it is absolutely necessary for the success of the proposed Reserve Bank that it should command the confidence of the financial world of England. Discrimination of the sort proposed will be the least likely to achieve such an object.

Mr. N. M. Joshi (Nominated Non-Official): May I ask the Honourable Member if the Reserve Bank should have the confidence of the people of this country?

Mr. N. N. Anklesaria: Yes. The Reserve Bank should have the confidence both of my countrymen as well as of the English financial world with which the Bank will have a lot to do if it is to function successfully. Then, Sir, the clause does not put a ban on the employment of Indians. It does not say that only Europeans will be employed as Deputy Governors. It simply removes a cause of complaint from people whose susceptibilities have got to be respected, as I said before, if this Reserve Bank is to function successfully. The other day I made it clear in this House that the powers of the Governor General will be exercised primarily in the interests of India, so far as this Reserve Bank scheme is concerned. My Honourable friend, the Finance Member, even went further than myself and said that the powers of the Governor General would be solely exercised in the interests of India. I submit, therefore, that there is no reason for this amendment, and I would vote for its rejection.

Mr. Lalchand Navalrai (Sind: Non-Muhammadan Rural): Sir, I wish to subscribe on this point only a few words. The object of this amendment is that Indians should be associated in the higher posts of the Reserve Bank. I do not agree that there are no Indians who can occupy with ability these two posts that are being asked to be reserved for Indians. It cannot be denied that Indians do possess the intellect, and it requires only a little training to make them come to the same level or even more than that of the European. Therefore, Sir, there should be no objection with regard to Indians being associated on the ground that they will be inefficient.

Then the second question which appears to be agitating the mind of the Honourable the Finance Member is this. He says, we should not do anything which may savour of racial discrimination. Now, Sir, it is not racial discrimination that we want; we are asking for Indianisation which is a principle accepted by Government. We are not saying that, because we are Indians, we should be taken and, because they are Europeans, they should be shut out. We say that Indians are not sufficiently associated with the Government business and mercantile business as much as they ought to be and we have asked that there should be actually a proportion kept for Indians. What we are asking here is that there are three places, and why should not two be given to Indians. I also hope that they would give a chance to Indians to show their usefulness to carry on the business. Many Europeans come here as experts, but at first they are quite raw and inexperienced in the business to which they are attached. But soon they receive training and come up to the mark. In like manner, Indians also could come up to the mark; but if you always say that Indians cannot be taken, because they are not up to the mark, then you will always be excluding them. Then where is the desire to give dominion status or self-Government to Indians.

Mr. Gaya Prasad Singh: Have you any hope for it?

Mr. Lalchand Navalrai: I am not so pessimistic as my Honourable friend, but certainly there are doubts as to its coming in the near future. What I submit, therefore, is this that these are amendments in which Government should come forward and join hands and give an opportunity to Indians of learning the knowledge and help required to carry on this business and come up to the mark. Sir, I support the motion.

Dr. Ziauddin Ahmad: Sir, I very much appreciate the assurance given on the floor of the House and I hope the time will come when not only two but all the three will be Indians. But unfortunately our problem is somewhat different. Had these appointments been left in the hands of the Government of India where every interest is represented, there would have been probably no necessity to ask for a Statutory provision. But, as it happens, the appointments will be made by the Governor General at his discretion and we are afraid

The Honourable Sir George Schuster: May I interrupt my Honourable friend? The provision in the Bill is "the Governor General in Council", and that is the Government of India.

Dr. Ziauddin Ahmad: I quite understand that. I have been thinking of the future when the duties of the Governor General in Council will be

split up, and I have in my mind the report of the London Committee. On account of that, I am reminded of the way in which an elder brother divided the property left by his father between himself and his younger brother. When the father died, he left a camel, a cat and a house. The elder brother said: "You know I am a very benevolent brother of yours and I do everything in your interest and for your benefit. You are my beloved younger brother, so you should have perfect confidence in me and I will do exactly what is in your best interests". The younger brother agreed and this is how the elder brother divided the property which, as I said before, consisted of a camel, a cat and a house:

*"In shutar-i-lakad zan-i-Bubá azán-i-man
An gurbá nâz parvar-i-Bubá azán-i-to."*

"This cat which was a pet of our father may be taken by you and this kicking camel which really kicked my father may be given to me."

That is about the animals. Now, coming to the house.

*"Az sahn-i-kháná tá bah lah-i-bám azán-i-man
Waz sakhf-i-kháná tá bah surrayyá azán-i-to."*

"As regards the house, from the ground to the top of the roof it is mine, and from the top of the roof to the highest point in heaven all belongs to you."

(Laughter.)

This is the way in which this division was made, and I am afraid that out of these posts the chuprassies and the lower clerks, etc., will be all Indians and the higher posts, including the posts of Governor and Deputy Governors will be distributed according to the couplet I have just quoted, a pet cat may possibly be given. Sir, I said before,—and I will take some other opportunity to press it again,—that we are bringing forward various measures in the name of indiscrimination, but the real solution of all this bogie is that we should boldly recognise that the Englishmen in India have the same privileges as the Indians, and the Indians temporarily residing in England should have the same privileges as Britishers. In that case, all these troubles would end and then we could exercise the same thing about colonials. If the colonials are willing to give us the same privileges in their countries, then we will extend all our privileges to those colonials. That is the way in which all these back-doors would be closed and plastered and there will be an end to building up the *chor durwaza* in any Constitution whatsoever. But that is not the principle we have to discuss here, and I will discuss it on some other occasion. On these grounds, I support the motion of Mr. Thampan.

Mr. K. C. Neogy (Dacca Division: Non-Muhammadian Rural): Sir, I am always an admirer of the blunt sincerity and honesty which are patent in every speech that my Honourable friend, Mr. Anklesaria, makes and I must congratulate him on the utter frankness with which he has told this House what at least he had in mind when he, as a member of the London Committee, devised this scheme. It is exactly the point that has been urged so far from this side of the House that the scheme is conceived with the object of inspiring the confidence of our creditors in England rather than the confidence of the Indians; and that is exactly the reason why some of us thought that we could not possibly accept this scheme of a Shareholders Bank and that we must have a genuine State Bank. My Honourable friend, as a member of the London Committee,

[Mr. K. C. Neogy.]

has let us into the secret at least of the working of his own mind in London and I very much wish that the same sincerity had inspired the statements of my Honourable friend, the Finance Member. For the merit that he claims for this scheme is that it is so devised that it should command the confidence of the Indian public. And he recognises the fact that unless the Reserve Bank that we propose to set up commands the confidence of the Indian public, it is bound to break down in actual working. Now, Sir, which of the two Honourable Members of the London Committee are we to believe? Was this scheme conceived with the object of making it attractive to our creditors in London or was it intended to be attractive to the Indian people? I would like my Honourable friends to give us a solution of this problem.

A good deal has been said with regard to the claims of Indians and the merits of Indians. I remember on one occasion Pandit Motilal Nehru expressing his utter disapproval of the word "Indianisation". He said that he detested the very word "Indianisation", because it hurt his self-respect: Indians have an inherent right to hold all important offices in this country. My feelings are akin to those of Pandit Motilal in this particular matter. It hurts my self-respect to get up and ask for the reservation of certain appointments for Indians. But we are in an absolutely helpless position, although we should like to see every appointment of importance held by Indians: we have been reduced to such a position that we have to beg for Statutory guarantees and assurances. We are deeply grateful to the Honourable the Finance Member for his sympathy as expressed the other day; but I am told—and I speak subject to correction—that, so far as my Honourable friend's own Department is concerned, the Indians that were holding appointments of responsibility in the officers' grades have been turned out of late and—again I speak subject to correction—that it is the intention of Government to remove the condition of what is called tenure appointments from the appointments in the Finance Department, that is to say, the officers in the Finance Department will not be required to relinquish office after a particular period, say three years, which is generally fixed for similar officers in other Departments, the object being—and here again I speak subject to correction—to leave a legacy of British officers to the future Finance Minister of the Federal Government. So that when we have that high and mighty Financial Adviser installed as a representative, as the super-spy, as he was described, of the Governor General, on the top, the officers in the Finance Department will also be all Britishers belonging to the Indian Civil Service, and the Indian Minister of Finance of the future will be a kind of a prisoner, a kind of hostage in the hands of these persons. I should very much like my Honourable friend to tell this House what practical proof of his sincerity he is prepared to give in this matter before we can agree to withdraw these amendments merely on his assurances.

Mr. Muhammad Anwar-ul-Azim (Chittagong Division: Muhammadan Rural): Sir, it is not my intention to keep the House for more than a few minutes. It seems that my friends to the right, including Mr. Gaya Prasad Singh, and his Group have not fully realised the implications of this amendment with regard to the appointment of two Indians as the Governor, etc. It might look very simple on the face of it and it might be said by my friends to my right that it would be rather ungenerous of any Indian to stand up in this House and not support this amendment.

So far as it goes, it is quite right; but if my friends take a little longer view and try to face facts as they stand now in this year of grace 1933, I am certain, they would not press for this motion, because, I feel, this is hardly the time when we should do anything to jeopardise our position in the country or add any more to the links of this distrust in our dealings with England. I am not here to make any special pleading on behalf of the Government of England, but my friends must realise that the successful administration of the Reserve Bank certainly depends upon not creating an atmosphere of uneasiness at home in the minds of the British people; as my friend, Mr. Anklesaria, was just pointing out, do my friends on the right realise that it will be necessary for them to raise money from other countries including England? They must realise that their country is not shut up within the four corners of the Himalayas and the seas; if they are to have trade connections with other countries including the British Empire, and if they are not to shut themselves off from carrying international trade, and if they also feel that they would like to have some connection with the British markets, I am sure, they will realise that this is a very inopportune thing to do by way of discrimination just as saying that we may have a Viceroy on Rs. 500 a month or that we shall repudiate our debts if this particular thing is not annulled. My apprehension as a humble citizen is this: if these irritating things are brought in in the body of the Bill, I am certain, they will cause some disturbances outside this country and in the international money market. It is far from me to suggest that the Indianisation should not go on more rapidly than in the past; but to say that we have got a sufficiently large number of people for the administration of concerns like the Reserve Bank is to talk of things which do not exist. My esteemed friend, the Leader of the Democratic Party, whom I love and respect, said: "Why should we not take into consideration the condition of the taxpayers here?" If I may very pertinently ask him: "What happens if this Reserve Bank goes into liquidation on the third day of its existence? Will the taxpayers think of any attempt to put this amendment on the Statute-book?"

Mr. Gaya Prasad Singh: Is it the contention of my Honourable friend that the appointment of Indians will lead to that catastrophe?

Mr. Muhammad Anwar-ul-Azim: That is not my contention. My contention is this: we must keep our relations with the Government of England in close friendship and above suspicion. My information is that in the past these little things have been given big head lines in papers like the *Star* and they create a sort of apprehension and consternation in the minds of the British people at home. I think, therefore, it will be better if we let the Governor General in Council and the future Finance Minister function properly: it is nowhere laid down in the Bill that the future Assemblies or Councils will be debarred from bringing changes with the permission of the Governor General in Council. If it appears that, by the one-sided or ostrich policy of the Government, the Indians are being antagonised, so far as the administration of this Bank is concerned, I am certain, public opinion will be quite strong to make the Governor General in Council realise the far-reaching consequences of this antagonism before they think of refusing sanction to any measure which will be introduced in this behalf. Secondly, Sir, when I was speaking, a few days ago, on a small motion, I suggested that this

[Mr. Muhammad Anwar-ul-Azim.]

Assembly and the Assembly which will take its place will have the power to move resolutions to move the consciousness of the Governor General in Council, because my friends, who have read the evidence of the Secretary of State, will see that it is clearly stated there that it will be very difficult for any Governor General in Council to refuse sanction about a particular measure if it had the support of a large majority of the Members in the House. That being so, I dare say that this motion is absolutely inopportune.

Mr. Amar Nath Dutt (Burdwan Division. Non-Muhammadan Rural): Sir, I am one of those who do not believe in any form of discrimination whatsoever. I stand on my right of being appointed as Governor or Deputy Governor on my merits, and, Sir, if I am obliged to support the amendment before the House, I regretfully admit that it is due to the position which has been created in our unfortunate land since the days of the Morley-Minto Reforms. From that time onwards all sorts of racial discrimination on grounds of religious faith, sub-divisions of castes and other things have come into existence. You will pardon me, Sir, if I place before the House the whole history of the case. When it was found that a certain class of our fellow subjects were demanding political rights for Indians and the situation for those who were then in power was growing very uncomfortable, they devised a means of getting hold of men in high positions and in society,—I do not mean those men were selected by virtue of their high intellectual attainments or character qualifications which go to make real men,—but they caught hold of some men in high social position and advised them to wait in deputation on those in authority and ask for reservations of seats. That advice was followed, a deputation was received, and the result was the communal electorates of the Minto-Morley scheme. Unfortunately, 10 years later, when the situation became intolerable owing to communal wrangle, the Congress was obliged in 1916 to come to some sort of a pact with communalists, and, Sir, whenever we asked that there should be no discrimination between class and class, between men of one religious persuasion and another, we were always reminded of the Lucknow Pact of 1916, quite suppressing the fact that it owed its origin to that unholy invitation of the members of a particular community to wait in deputation

Mr. President (The Honourable Sir Shanmukham Chetty): Order. order. All these observations are absolutely irrelevant to this amendment.

Mr. Amar Nath Dutt: The reason why I was saying that I was against discrimination whatsoever on racial grounds was this, that in every appointment of State, efficiency should be the sole test, be he a European, be he an Indian, be he a Hindu, or a Muhammadan or a Sikh or a Parsi. That is my idea, but, situated as we are in this country, where all sorts of discriminations are being made, and when you find the over-zealous members of a particular community asking the Government to do certain things in their favour, I think my friends who have put in this amendment were not far wrong in the present position of the country in asking that two officers out of the three should be Indians.

My Honourable friend, Mr. Neogy, has referred to my friend, Mr. Anklesaria's very valuable work in the London Committee, but, Sir, this

London trip in some cases at least resembles Jesus' donkey going to Mecca, but coming back the same donkey

Several Honourable Members: What is the couplet?

Mr. Amar Nath Dutt: I do not know the exact Urdu couplet, I think my friend, Sardar Sant Singh, over there may be able to give the Urdu couplet for the delectation of this House. Sir, my plea is that even a visit to London has not improved the patriotism or the intelligence of some.

We have been asked by my friend from Chittagong to face facts. I do not know what facts we are called upon to face. We are accustomed to face several facts in the country, but we are not accustomed to face facts like those which my friend has enumerated, namely, our relationship with the British Government. What is the relationship, I do not exactly know. Of course, if he has in mind the statement of a particular zamindar of my province that his relation with the British Raj continues to be friendly, that is another thing. And, Sir, as a loyal talukdar under him, I am not going to utter those statements again

An Honourable Member: You are his tenant.

Mr. Amar Nath Dutt: I am a talukdar under that great zamindar . . .

An Honourable Member: Are you a *Shuja Mota* talukdar under a bogus zamindar?

Mr. Amar Nath Dutt: I cannot go so far as that. I do not wish to say anything about the subject introduced by my friend from Orissa. Be that as it may, I submit, that the question of relationship hardly arises in this case.

Then, it has been said that it will create consternation at Home. Certainly if appointments of two Indians will create consternation at Home.—I understand by the word "Home" my friend means India and not England.—if the appointment of two Indians will create consternation at Home

Mr. N. N. Anklesaria: I don't think he said that. He said only discrimination.

Mr. Amar Nath Dutt: No, he used the word consternation; I can assure my friend, Mr. Anwar-ul-Azim, that it is not likely to create any consternation in India. Am I to believe that in a population of 35 crores there are not to be found even three Indians fit enough to carry on the business of a Bank? If that be the state, the country in spite of more than 100 years of English education according to British system and British ideals, it hardly redounds to the credit of our rulers. On the other hand, I am bold enough to say that amongst a population of 33 crores

The Honourable Sir Brojendra Mitter (Law Member): 35 crores

Mr. Amar Nath Dutt: Very well, 35 crores, I stand corrected. My friend keeps more up-to-date information than I do. Sir, I believe that out of a population of 35 crores, there is at least a lakh of people who can

[Mr. Amar Nath Dutt.]

be found fit to hold the posts of Governor and Deputy Governor of this Bank, and I would certainly have welcomed an amendment like that . . .

Mr. R. S. Sarma (Nominated Non-Official): I hope Members of this House are included in that one lakh?

Mr. Amar Nath Dutt: Certainly every one of us, including my friend, Mr. Sarma. Whenever an opportunity has been given to an Indian, he has never been found to be wanting in the discharge of his duties.

An Honourable Member: The Bengal National Bank!

Mr. Amar Nath Dutt: Take, for example, the case of an Indian Governor. A quarter of a century before, it was hardly within our dream . . .

Mr. N. N. Anklesaria: May I know how all this is relevant? Nobody I E.M. has said that Indians are not to be employed.

Mr. Amar Nath Dutt: Therefore, I do say that every one of them ought to be an Indian. That ought to have been the amendment. When there is no such amendment on the paper I have to support this smaller amendment. If the Honourable Member will have a little patience, he will see if I am relevant or not. If I am irrelevant, the Chair is there to remind me of it and I shall certainly obey. As I was submitting, wherever an Indian has been tried, he has not been found wanting. I have already cited the case of an Indian Governor. There is also the case of the first Indian Member of the Executive Council. It was at one time held that the exalted Chair which you occupy at the present moment no Indian could occupy, and a gentleman was brought out from overseas. But within four years it was found that there were capable Indians, not one or two, but more than two at least who could occupy that Chair. So, in every sphere I think Indians can do their duty as well and with as much ability as people of any other race. I think nobody will doubt the intellectual capacity of a race, which produced the Vedanta system of philosophy, which produced a religion like ours and which produced a philosophy and culture of which the world is proud. That being so, I submit, it cannot be said that amongst Indians people cannot be found who can occupy the position of Governor or Deputy Governor of the Reserve Bank. With these few words, I give my support to the amendment, though I should have been very glad to have a clause to the effect that the Governor and Deputy Governors should be Indians. If it is said that there should not be any Statutory discriminatory provision like that, I invite the attention of Honourable Members on the other side to this enactment which I hold in my hand which was only recently amended in the year 1923—I mean the Criminal Procedure Code. There I find discrimination still retained in spite of our agitation since the days of the Ilbert Bill. So long as things continue like this, I may say, we shall be justified in asking for such reservation for Indians. With these words, I support the motion.

The Honourable Sir George Schuster: This is doubtless a very important subject, but it has already been very fully discussed in the House. The House is fully acquainted with my views upon it and the arguments which I have to advance, and, therefore, if I am brief it is not because I disregard its importance, but merely because I wish to avoid repetition.

And indeed, if I have anything to say today that is at all new, it is as a result of certain—I think I may call them—irrelevant remarks which have been made by various speakers in the course of this discussion which I desire to take an opportunity to answer. I refer in particular to certain remarks made by my Honourable friend from Bengal, Mr. Neogy. He sought to cast doubt on the position and the value of the assurance which I have given in the House, on the ground that my own record in the Finance Department was such as to command very little confidence. My Honourable friend has referred to certain minor appointments, and I should be very pleased to discuss with him the policy that has been pursued in the Finance Department recently on another occasion. But I would remind my Honourable friend if he wishes to make any reference to my own record of two important facts. Among the posts with which I am particularly concerned and over which I have myself some say, there are two of the highest importance which, when I took over, were filled by Englishmen and are now filled by Indians. I refer to the post of Financial Commissioner for Railways and the post of Financial Adviser to the Posts and Telegraphs Department. It has been a very great pleasure to me to be able to support the appointment of Indians to those two posts, and I think if my Honourable friend wishes to refer to my own personal record in the matter, that is a sufficient answer to him.

But, Sir, the criticism is irrelevant, because the assurance which I have given is not a personal assurance; it is an assurance given by the Government of India with, I may say, the full authority of the Secretary of State.

Now, Sir, I must express considerable regret that this amendment has been moved. I feel regret, because, I think, when we come to discuss proposals of this kind, it puts everybody in a false position. Our primary object is to get a good Bank, and whether one stresses the importance of its being able to command confidence in England or in India is a matter of very little moment. It must be a good bank; it must be well managed; and unless it is a good bank and well managed, it will not command confidence in any part of the world, nor will it do its business properly. Subject to that, we agree with Honourable Members in their desire to see Indians filling the highest posts in this Bank. We are all agreed on this, but if Honourable Members come forward and ask for positive assurances, then those who are responsible must safeguard themselves. They must take into account the realities of the situation. They must refuse to give assurances which they are not absolutely certain that they will be able to honour without endangering the good management of this Bank. Therefore, when my Honourable friends opposite ask for assurances, they immediately force us into the position of stating the minimum which we are certain that we can promise. What I submit is most unfortunate is that matters of this kind should be discussed on the basis of the minimum which is possible. In considering realities, surely my Honourable friends will recognise that we are dealing now with a measure which is designed to remain in force for 25 years at least, and, we all hope, for any period that can be foreseen. As that period progresses, conditions will surely change. It may be necessary at the outset to accept certain limitations on the number of Indians that can be put in to fill the highest posts. But we none of us wish to stand on that position. We look forward to the future, and, therefore, I say that to insert now what must be considered as a minimum in the conditions which will prevail at the

[Sir George Schuster.]

outset of the Bank's existence is to convey an entirely misleading impression and to put every one in a false position. That is the first point. I object most strongly to giving any assurances at all, but, in order to meet Honourable Members who sat with me on the Select Committee, I was able to get agreement from the Government and from the Secretary of State to a certain assurance. That has been given and that will be honoured. But when it comes to putting provisions of this kind into the Statute, I have already made it perfectly clear that we must resist that absolutely, as a discriminatory provision.

Honourable Members have said that we are not consistent in our objection to discriminatory provisions. If by that they mean that in this Bill certain discriminatory provisions have been inserted, they are perfectly correct. The Bill is full of discriminatory provisions. We are discriminating against foreigners; we are discriminating against the dominions which discriminate against this country, and that is a position which we frankly recognise. But the one form of discrimination which we have said cannot be inserted into this Bill is discrimination between Indians and United Kingdom British subjects resident in India. And, Sir, if a provision of this kind is inserted, it is a discriminatory provision. If you say "of the three chief posts two shall be filled by Indians", you are saying in other words that, of the three chief posts, not more than one should be filled by a British resident in India. That is discrimination and to that, in principle, we must object. That is a perfectly clear position, and, as I say, I regret very much that this amendment should have been moved. I thought that we had reached a satisfactory understanding. I thought that we were all inspired by a common ideal and working towards a common object. If Honourable Members ask for assurances, which I have always said I regard rather as a sign of weakness than of strength, then unfortunately we on this side have got to take on a definite position and say "so far we can go and no farther". Sir, I submit to the House that it would have been better if no assurance on this point had ever been asked for, but having been asked for, it has been given. It has been given and it will be honoured, but so far as the Bill is concerned, we can agree to inserting no provisions of this kind.

Mr. K. P. Thampan: May I ask one question of the Honourable the Finance Member? Though the Imperial Bank has been in existence for the last 13 years and the Presidency Banks, on the amalgamation of which the Imperial Bank came into being, have been in existence for 50 years and though 65 per cent of the capital of the Bank is subscribed by Indians, has there been one Indian Secretary at any of the branches of the Imperial Bank or is there one Indian appointed in that cadre from which a Secretary would be appointed within the next ten years? I want an answer to that.

The Honourable Sir George Schuster: My Honourable friend is fully aware of the answer, but his question is entirely irrelevant.

Mr. President: The question is:

"That to sub-clause (1) (a) of clause 8 of the Bill, the following proviso be added:

'Provided that of the Governor and two Deputy Governors two at least shall be Indians'."

The Assembly divided :

AYES—28.

Abdul Matin Chaudhury, Mr.
Azhar Ali, Mr. Muhammad.
Badi-uz-Zaman, Maulvi.
Bhuput Singh, Mr.
Chandi Mal Gola, Bhagat.
Das, Mr. B.
Dutt, Mr. Amar Nath.
Hoon, Mr. A.
Isra, Chaudhuri.
Jadhav, Mr. B. V.
Jog, Mr. S. G.
Joshi, Mr. N. M.
Krishnamachariar, Raja Bahadur G.
Lalchand Navalrai, Mr.

Liladhar Chaudhury, Seth.
Mahapatra, Mr. Sitakanta.
Mitra, Mr. S. C.
Neogy, Mr. K. C.
Patil, Rao Bahadur B. L.
Reddi, Mr. T. N. Ramakrishna.
Sant Singh, Sardar.
Sen, Mr. S. C.
Shafce Dadoo, Maulvi Muhammad.
Singh, Mr. Gava Prasad.
Sitaramaraju, Mr. B.
Thampan, Mr. K. P.
Uppi Saheb Bahadur, Mr.
Ziauddin Ahmad, Dr.

NOES—53.

Abdul Aziz, Khan Bahadur Mian
Ahmad Nawaz Khan, Major Nawab.
Anklesaria, Mr. N. N.
Anwar-ul-Azim, Mr. Muhammad.
Ayangar, Mr. V. K. A. Aravamudha.
Bajpai, Mr. G. S.
Phore, The Honourable Sir Joseph.
Bower, Mr. E. H. M.
Chaturji, Mr. J. M.
Clow, Mr. A. G.
Cox, Mr. A. R.
Dalal, Dr. R. D.
Dash, Mr. A. J.
DeSouza, Dr. F. X.
Dillon, Mr. W.
Graham, Sir Lancelot.
Grantham, Mr. S. G.
Harg, The Honourable Sir Harry.
Hezlett, Mr. J.
Hudson, Sir Leslie.
Ismail Ali Khan, Kunwar Hajee.
James, Mr. F. E.
Jawahar Singh, Sardar Bahadur
Sardar.
Lee, Mr. D. J. N.
Mackenzie, Mr. R. T. H.
Macmillan, Mr. A. M.
McCaffee, Mr. H. A. F.
Millar, Mr. E. S.

Milligan, Mr. J. A.
Mitter, The Honourable Sir Brojen Das.
Morgan, Mr. G.
Mujumdar, Sardar G. N.
Mukherjee, Rai Bahadur S. C.
Nihal Singh, Sardar.
Novce, The Honourable Sir Frank.
O'Sullivan, Mr. D. N.
Rafuddin Ahmad, Khan Bahadur
Maulvi.
Raghubir Singh, Rai Bahadur
Kunwar.
Raisman, Mr. A.
Ramakrishna, Mr. V.
Rau, Mr. P. R.
Schuster, The Honourable Sir George.
Scott, Mr. J. Ramsay.
Sher Muhammad Khan Gakhar,
Captain.
Singh, Kumar Gupteshwar Prasad.
Singh, Mr. Pradyumna Prashad.
Sinha, Rai Bahadur Madan Mohan.
Smith, Mr. R.
Studd, Mr. E.
Tottenham, Mr. G. R. F.
Trivedi, Mr. C. M.
Wailbuddin, Khan Bahadur Haji.
Yakub, Sir Muhammad.

The motion was negatived.

The Assembly then adjourned for Lunch till Half Past Two of the Clock

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

Mr. B. Sitaramaraju: Sir, I beg to move :

"That in sub-clause (1) (a) of clause 8 of the Bill, for the words 'after consideration of' the word 'on' be substituted."

[Mr. B. Sitaramaraju.]

The original provision in the Bill runs as follows.

"A Governor and two Deputy Governors to be appointed by the Governor General in Council after consideration of the recommendations made by the Board in that behalf."

Sir, my amendment seeks to substitute for the words "after consideration of" the word "on". The object of moving this amendment is to emphasise the need to give due weight to the recommendations of the Central Board. I do not for a moment wish to convey any idea that the hands of the Governor General in Council should be completely tied. That is not my intention, but the words which are actually used "after consideration of the recommendations" would not give the necessary importance to the recommendations of the Central Board and my submission is that, if the word "on" is substituted, the recommendations of the Central Board would have greater weight than now. But I understand that the idea was in this regard to follow the practice of the Imperial Bank. Even in the report of the Joint Committee, they have stated that the preliminary consultations would have to be taken between the Government and the Central Board before recommendations are made. That would be a very satisfactory feature if prior consultations had taken place between the Government and the Central Board. Once those prior consultations have taken place and the recommendations have been made, then, I venture to submit, those recommendations must have a great weight and will not be easily rejected. The provision in the Bill, as it stands, does not anticipate any of those prior consultations. It only says, the choice would be after the recommendation and does not indicate the importance of the recommendation made after due consultation. That makes a good deal of difference and, therefore, I thought that if these words were substituted, there could possibly be no room for any objection on the part of the Government since the recommendation is expected to be made after joint consultation. For this purpose, I move this amendment and I trust that it will be accepted by the House.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved.

"That in sub-clause (1) (a) of clause 3 of the Bill, for the words 'after consideration of' the word 'on' be substituted."

The Honourable Sir George Schuster: Sir, my Honourable friend has correctly stated the position as regards the origin of this clause. The matter was very fully discussed in London and, after a long period of failure to find any form of words which were satisfactory to all concerned, the suggestion was made—and it came from those who had sat on the Board of the Imperial Bank—that we might follow the practice of the Imperial Bank which had been found in every respect satisfactory. The Imperial Bank Act was then sent for and the actual words were read out and it was agreed to recommend those words. That represented a very large concession from the side of those who represented the Secretary of State. The original proposal had been that the appointments should be made by the Governor General in Council without any reference to consultation with, or considering the recommendations of, any other authority. That, in my own view, represents one of the most important points achieved by the discussions in London and one of the most important concessions made as a result of the pressure brought by the

Indian representatives in London. Now, my Honourable friend's suggestion, although he himself does not seem to understand it in that sense, would, I submit, mean that the recommendations of the Board would be operative and the Governor General in Council would be left merely with the formal function of ratifying these recommendations. That, of course, is a position which we could not accept and, as this represents an important matter of agreement, I am afraid I must oppose my Honourable friend's proposal. In that connection, I should like to take this opportunity of taking up a point on which I was questioned at an earlier stage of these discussions. I was asked whether I could give any assurance that the recommendations made by the London Committee would be accepted by the British Government and by Parliament and would be incorporated in the Constitution Act so as that has anything to do with this position. I explained then that I, of course, could give no assurance and that I felt sure that the Secretary of State himself would not be in a position to give any assurance which would tie the hands of Parliament. For, Parliament, after all, remains the final authority. But, I have received a telegram from the Secretary of State, and this is what he authorises me to say. He says, that while, as I myself have already pointed out, he—the Secretary of State—cannot commit Parliament in advance, the views expressed on the point in question by the London Committee, so far as it made definite recommendations, may be regarded as forming part of the proposals put forward by His Majesty's Government in the same way as proposals contained in the White Paper. That, I submit, is a very definite statement and, I am sure, it goes as far as any Honourable Member opposite could expect the Secretary of State to go. In these circumstances, this House would be taking a very questionable step. I may put it, by doing anything to upset the basis reached in London, for it would make it impossible then for the Secretary of State on his side to fulfil or regard himself as bound by his own assurances. Therefore, I submit that we should stick to the words of the original clause as it stands in the Bill which is about as good a description of the position which we all want to attain as could be found in Statutory language. That will provide, I think, due influence to the Central Board in this matter. Moreover, the Joint Select Committee has itself made a recommendation that there should in every case be prior consultation between the Governor General and the Board, which recommendation will without doubt be seriously considered. For my own part, I may say that I think that any such recommendation is unnecessary, because, having regard to the form of words used, there must, if one considers how the thing would work, there must be prior consultation between the Board of the Bank and the Governor General. They could not keep each other at arm's length in this matter. I submit, in these circumstances, that my Honourable friend's point is really met by the wording of the Bill and I would ask him to withdraw his amendment.

Mr. B. Sitaramaraju: Sir, I beg leave of the House to withdraw my amendment.

The amendment was, by leave of the Assembly, withdrawn.

Mr. K. P. Thampan: Sir, I beg to move:

"That to sub-clause (1) (a) of clause 8 of the Bill, the following proviso be added:

"Provided that no member of the English or Indian Civil Service shall be eligible for appointment as a Governor or Deputy Governor."

[Mr. K. P. Thampan.]

Sir, much has been said by the sponsor of the Bill as well as by those who support him that the Reserve Bank should be altogether immune from political influence. We all know what these people mean by political influence. We, on this side of the House, are also equally anxious that the Bank should be free from political influences, but what we mean by political influences is the influences of the Secretary of State and of the commercial community of England. If my motion is not adopted, the chances are that these posts are sure to go to the I. C. S. people. There is no service or no work in the world for which the I. C. S. people are not considered fit. That is the universal impression. The Reserve Bank has to function purely in the economic interests of the country and no experiments can be tried with it. To be free from political influences, we want that the men should be recruited from the banking and commercial classes. As far as we can see, neither an Indian nor an English I. C. S. man can be free from political bias, but he will only be the mouthpiece of the Secretary of State. He cannot be otherwise and it is only natural. That is the reason why we are anxious that the I. C. S. people should be excluded. In this connection I would invite the attention of the House to a paragraph in the memorandum written by Mr. J. M. Keynes on the proposals for the establishment of a State Bank in India which is published as an Annex to the Report of the Royal Commission on Indian Finance and Currency, 1914, in which he says :

"It may be added in this connection that the Governor and Deputy Governor of the Bank should invariably be persons of commercial or banking, not of administrative or official, experience, and should be appointed, so far as may be possible or convenient, from the staffs of the Presidency Offices."

The proposal was that the Presidency Banks should be amalgamated into one and made into a Reserve Bank, and that is why he refers to that aspect. Towards the end, he says :

"It might perhaps increase public confidence in the non-official character of the Bank's management and in the Government's intentions, if it were definitely laid down that members of the English or the Indian Civil Service were ineligible for appointment as officers of the Bank."

This is a very important point and I cannot understand how it escaped the notice of the Select Committee. I am sure, no one can repudiate what Mr. Keynes said in 1914. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved :

"That to sub clause (7) (a) of clause 8 of the Bill, the following proviso be added :
"Provided that no member of the English or Indian Civil Service shall be eligible for appointment as a Governor or Deputy Governor."

The Honourable Sir George Schuster: Sir, I must oppose what I imagine to be my Honourable friend's intention and I must also point out that his amendment would not fulfil his intention. The wording is "provided that no member of the English or Indian Civil Service shall be eligible" Well, I am advised that that does not mean that if a man has served for a time either in the Government of England or India, that taint should remain with him for all the rest of his natural life. It

applies only to a serving member. Therefore, if any particular individual is informed that there is some chance of his getting this appointment, he will be able to retire and the very next day, he can get the appointment. On this ground I think my Honourable friend's amendment is ineffective, and, quite apart from that, I feel sure that the House would not support the intention which I imagine he must have in his own mind. I am afraid that my Honourable friend, Mr. Amar Nath Dutt's list of 100,000 suitable Indian candidates for the post of Governor would be very seriously curtailed if all those who ever served the Crown in India were to be disqualified. I think my Honourable friend has only got to think of this for a very short time to realise that it is an undesirable proposal and, therefore, I suggest to him that he might withdraw it.

Mr. K. P. Thampan I do not withdraw it.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That to sub-clause (1) (a) of clause 8 of the Bill, the following proviso be added: 'Provided that no member of the English or Indian Civil Service shall be eligible for appointment as a Governor or Deputy Governor'."

The motion was negatived.

Mr. B. V. Jadhav (Bombay Central Division: Non-Muhammadian Rural): Sir, I beg to move:

"That in sub-clause (1) (b) of clause 8 of the Bill, for the word 'four' the word 'two' be substituted."

Sir, according to clause 8 of the Bill, out of the 13 voting Directors, eight are to be ultimately elected by the shareholders and four are to be nominated by the Governor General as laid down in the report of the Select Committee. In this no provision has been made for the agricultural interest which, as is well known, is the principal interest in an agricultural country like India. The Reserve Bank is intended to stimulate trade and industry, and agriculture is the widest and most important industry in India and there has been no Statutory provision made for the representation of the advocates of agriculture. It might be urged by the Honourable the Finance Member that when Government would make nominations to the Board, the Governor General in Council would take care to appoint one or two members to that Board who will be eligible for representing agricultural interests. I do not deny that Government will be very careful for those interests. But, at the same time, I may point out that it is better to have elected members than nominated members and the election ought to be made by those co-operative central banks or provincial banks which have been helping agriculture through the district banks and the village co-operative societies. I, therefore, move that two of these posts should be reserved for election by the various provincial banks.

Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (1) (b) of clause 8 of the Bill, for the word 'four' the word 'two' be substituted."

Mr. President (The Honourable Sir Shannmukham Chetty): Does Raja Bahadur Krishnamachariar want to move his amendment now?

Raja Bahadur G. Krishnamachariar: If this amendment is passed, I shall not move it. The reason why I have tabled this amendment which comes later on is that I want two Directors for Madras and I do not know how to get it. Therefore, I cut this four into three, and, out of these eight Directors to be elected, I want two to represent agricultural interests.

Mr. President (The Honourable Sir Shannmukham Chetty): Then the Honourable Member does not want to move it now?

Raja Bahadur G. Krishnamachariar: No, Sir, not now. I shall see the fate of this amendment first.

Several Honourable Members: The fate is well known.

Mr. M. Maswood Ahmad (Patna and Chota Nagpur *cum* Orissa Muhammadan): Sir, I support this amendment that from four the number of nominated Directors shall be reduced to two. In this connection I want to say that the number "four" is too much, because there are after all only eight elected members, and if there are four nominated members, then certainly the policy will be guided by Government,—not the Indian Government, but the Government sitting at Whitehall. At the same time, it has been said—though outside of this Assembly—that if there are four Directors, there will be some chance for Muslims to be nominated on the Directorate. But I say that we have a very bad experience of nominated members. My experience is that all the nominated members, though they are not obliged, in black and white, to support Government, they always, as a matter of practice, support Government in all measures. Even in questions of such religious importance as mosques, etc., certain nominated members have opposed us and voted for Government. My experience of all the local bodies also is the same that these nominated members always represent the man who nominates them. It may be all very fair from the point of view of those who nominate them, but we cannot trust the nominated members. Apart from that, when we see that out of 12 Directors, who will have votes, four will be nominated, the number is very high. It is always the case with a nominated member that whenever he is not in a position to attend a meeting, he will submit his resignation from the Board and Government will nominate another member as we find here. But for elected members it is not always possible for them to be replaced by others. There is a provision in the Bill that in certain cases it will be possible for the local board to nominate any one else to attend the meeting; but there is one difficulty. Suppose the local board elected members to attend a meeting and, after that, the member is not in a position to attend the meeting. How can the local board sit and elect another member to attend the meeting? So, in the case of the elected members, it will not be always possible to substitute any other man to attend the Central Board meeting; while for the Government it will be very easy always to substitute others to attend the meeting; and what happens in the Assembly and in the Council of State is

Diwan Bahadur A. Ramaswami Mudaliar (Madras City: Non-Muhammadan Rural): But a nominated Director holds office for five years and,

his nomination is in the hands of Government, his resignation may not be accepted like the resignation of official members which they can get at any time.

Mr. M. Maswood Ahmad: I cannot understand how the Honourable Member says that, if a person is once nominated, his resignation cannot be accepted. Does the Honourable Member suggest that a man, once nominated as Director of the Central Board, cannot vacate office for five years?

Diwan Bahadur A. Ramaswami Mudaliar: I am pointing out that the Government cannot request a resignation from a nominated Director. Once he is appointed, he is there for five years, and he can only be removed by a vote of nine Directors. Government cannot call for his resignation at any time.

Mr. M. Maswood Ahmad: But, what happened in the case of Sir Abdul Quiyum? It was not possible for him to resign when he was once nominated, but when he went to attend the Round Table Conference, he submitted his resignation. They will have to submit their resignations and Government will accept those resignations and nominate some other members. This will not be possible for elected members, because, if an elected member is not able to attend a meeting, he has got no right to nominate any one else to represent him in the meeting. Rather, this power is in the hands of the Local Board, and so it will be very difficult for the Local Board to have a meeting and have a substitute for him. Supposing one or two members are absent, Government members will always have a majority in the Central Board. With these words, I support this amendment of my Honourable friend, Mr. Jadhav, that there should be only two nominated Directors.

Sirdar Harbans Singh Brar (East Punjab: Sikh): Sir, if I rise to support this amendment, it is for the one reason that we have to inspire confidence among the British public. The English people, to my mind, are rather superstitious. From the present scheme, it appears that the number of voting Directors would be 13 which is considered to be an unlucky number among the British investing public. I think it will be well by accepting this amendment to reduce the number from 13 to some other odd number which may inspire the confidence of the British public and the British Parliament as the women are in a majority among the voters. As regards the number of nominated Directors, I do not think "four" is a very big number, because Government have to consider the national interests. Commercial and other interests may not be able to predominate at any particular moment and so there has to be a fair number of nominated Directors. Out of 13 I do not think four is too large a number, but I would like the number to be either 11 or 15 which that could have been possible.

Mr. B. Das (Orissa Division, Non-Muhammadan): I whole-heartedly support the amendment moved by my Honourable friend, Mr. Jadhav. Throughout my connection with the Reserve Bank Bill, whether this present Bill or the past one, I have held the view that co-operative banks should come in through direct election, and the 1927 Joint Committee brought out such a proposal in their report. I know that the eight Directors that will be elected will only represent a very microscopic

3 P.M.

[Mr. B. Das.]

interest of the Indian public, namely, the capitalist section of the larger towns of India. In spite of their trying to represent the multitudes, their private interest and personal engagement in public life will debar them from looking after the interests of the teeming millions. At present, if one good has come through the British rule it is the co-operative banking system by which the multitudes, the teeming millions, even the interior villages of the country, are connected through an apex bank, a central co-operative bank, and, therefore, we hold that if the provincial co-operative banks are allowed to elect Directors, then a certain system of electoral representation should prevail, and thereby the capitalist section of the Directorate of the Reserve Bank will not always have their own way. Of course, the Finance Member has conceded to us in the Select Committee and certain wording has been introduced to the effect that the Governor General in nomination will look after the interests of the agricultural and co-operative systems. I do not like to leave that power to the Governor General, to act upon the advice of his Finance Minister or the Financial Adviser. I shall cite one instance. In 1931, when I was unlucky to get my Imperial Bank Amendment Bill passed, we were assured by the Finance Member that he will try to nominate a representative of the agricultural interests to the Board of the Imperial Bank. Afterwards I found the name of a certain gentleman from Madras, one Rao Bahadur or Diwan Bahadur Narasimha Raju, as the representative of agricultural interests on the Imperial Bank. I knew him in my old Congress days as a Congressman. Then I suddenly found him blossoming forth as the President of the Madras Legislative Council, but I never knew from his public life and from his activities throughout India that he was very much interested in the agricultural development of this country.

Mr. B. Sitaramaraju: May I contradict the Honourable Member, that he is speaking about a subject which he does not know?

Mr. B. Das: My Honourable friend, Mr. Raju, might know very intimately the gentleman; probably his agricultural activities are confined to that particular district to which he belongs.

An Honourable Member: Why should we discuss an individual?

Mr. B. Das: I am not discussing, I am citing an instance to show that the nomination may go wrong. If a man like Mr. Ramadas Pantulu or people interested in the millions. . . .

Mr. K. P. Thampan: I protest that Mr. Ramadas Pantulu does not know anything about agriculture.

Mr. B. Das: I was thinking of co-operative banking.

Diwan Bahadur A. Ramaswami Mudaliar: I suggest that my Honourable friend may confine himself to the people of Orissa whom he may or may not know, and not of Madras.

Mr. B. Das: I may assure my Honourable friend, Mr. Mudaliar that Orissa never fights for nomination. The people of Orissa would be ashamed to come anywhere by the backdoor of nomination. That is

not my purpose. I want to ensure to the people of India direct representation through the method of election so that the backdoor methods of nomination may be put a stop to. I may assure my Honourable friend, Mr. Raju, that I do not mean to say anything personal against that particular gentleman. . . .

Mr. B. Sitaramaraju: May I inform my Honourable friend that the experience of Mr. Narasimha Raju as an agriculturist and as a man of varied experience in all those matters which concern the particular subject he is representing is unrivalled in Madras.

Mr. B. Das: This is the first time I hear of this. Until he was nominated by the Government of India, in my public life of so many years I never knew that the gentleman had taken interest in all-India agricultural problems. I plead guilty of ignorance, but there are certain people whose activities are well known and some people whose activities are not so well known.

Mr. B. Sitaramaraju: Are you aware that he was representing here on the Sugar Conference?

Mr. B. Das: There were so many of us represented on the Sugar Conference! The question is whether the Reserve Bank will be really representative, and I have always said it, and I do not think that the eight elected Directors will ever represent the public. The only direct representation of masses that can come is through the co-operative banks, and, in substance, what we advocate on this side has been agreed to on the other side. They would like to see certain representation granted to the co-operative banks, and it is better that they are given direct electoral representation through the 11 provincial apex banks. Therefore, I wholeheartedly support the amendment of my Honourable friend, Mr. Jadhav.

Sir Cowasji Jehangir (Bombay City: Non-Muhammadian Urban): I have no desire to take up the time of the House, but I desire to raise a question of principle more in the interests of the future than the immediate present. My Honourable friend, the member of the Committee of the Federated Chambers of Commerce, who also represents the teeming masses of this country in this House, and I believe also on the Committee of the Federated Chambers, has been the cause of my having to raise this question of principle. The question of principle is that when this House appoints an Honourable Member to a Select Committee, I think it expects, as every other Legislature expects, that that Member will continue at least to voice the same opinion in the Select Committee and in this House, because the lapse of time is generally very short between the Select Committee and the discussion in this House. I do not think that my Honourable friend disagreed with this provision in the Select Committee, nor has he written a minute of dissent . . .

Mr. B. Das: My memory does not lapse.

Sir Cowasji Jehangir: I thought he said that his memory does not last; if so I am inclined to agree with him. But at any rate, there is no minute of dissent. Now, Sir, that is a principle that I should like to make perfectly clear, and I do think that Honourable Members should at least support the

[Sir Cowasji Jehangir.]

report that they have signed or such provisions of it on which they have not written minutes of dissent. Sir, I may mention that it will be a very important principle in the future. Sir, it is of greater importance for the future than it is just now in the present House. At present we often do not take notice of such changes of opinion which are made without giving any reasons at all. I can understand a change of opinion if an Honourable Member has found out new facts or figures or the circumstances have changed, and due to those changes he changes his opinion; but I think that in the future it will be of the greatest importance to this House that we should maintain this principle that members of a Select Committee should at least support the report which they have signed.

Mr. B. Das: On a point of order, Sir, I would invite your ruling whether the point raised by the Honourable the Leader of the Opposition that no Member should speak against the majority report, unless a separate minute of dissent has been written, should be supported. This has never been the practice in this House before; and, if we are all to write minutes of dissent, then the volume of the report will become very large and we will have to give a much larger stone to the Honourable Member for Finance than we are now giving.

Mr. K. C. Neogy: What about the Leader of the Opposition always supporting the Government? What about that principle?

Sir Cowasji Jehangir: May I point out to the Honourable Member that whether I am the Leader of the Opposition or not, I will support what I think is right and I will not support anything that I think is wrong, and that is what I expect the Honourable Member to do, to support what he thinks is right and not to support it simply because he thinks public opinion will support him.

Mr. Lalchand Navalrai: What about the members of your Party?

Mr. Amar Nath Dutt: If I rise at all, Sir, it is not to speak about the amendment before the House, but against the principle which has just been enunciated by my friend inviting my friend, Mr. Das, not to support the amendment. It seems that if a man, according to him, signs a Select Committee report, without writing a note of dissent, he is bound by the report for ever

Mr. President (The Honourable Sir Shammukham Chetty): Order, order: The Chair does not think there is any practical use in discussing that particular point. As a matter of fact, once it was definitely raised on the floor of this House: a Member asked for a ruling as to whether Members of Select Committees could vote as they liked, on which the President observed.

"I hardly think that is a matter for the Chair to deal with. If the Honourable Member means whether an Honourable Member, who has changed his mind, can vote in a way contrary to that proposed by the Select Committee whose report he has signed, I see no power in the Chair or the Assembly to debar him from doing so."

The Chair does not think there is any use in discussing the point further.

Mr. Amar Nath Dutt: I am glad my Honourable friend's position has been vindicated; and, as regards the amendment before the House, I am sorry that I am unable to support the amendment. My experience of nomination has not been what has been related by my friend. I myself entered public life as a nominated member of a certain local body; and after that I had my difference with the very authority which nominated me . . .

Mr. President (The Honourable Sir Shanmukham Chetty): Was the Honourable Member nominated for a second time?

Mr. Amar Nath Dutt: Yes, I was. (Laughter.) So I beg to submit that all these tirades against nomination do not apply. I do not know whether circumstances have changed since then, because, since entering the Legislature, I have ceased to have any connection with those local bodies and I do not know how things stand at present and whether the nominating authorities have altered their practice during the past 10 or 12 years. Be that as it may, I beg to submit that if this power of nomination has been kept in hand in order to equalise various interests, I think we should not oppose it.

The Honourable Sir George Schuster: Sir, I am afraid I must oppose this amendment, and as I find that I am supported by such a doughty ally as my Honourable friend who has just spoken, I feel there can be little doubt as to the result. This feature of having four nominated members is an essential feature of what I have frequently described as our balanced scheme, and to eliminate this feature or to reduce its importance would upset the balance. I take it that my Honourable friend who moved the amendment was really speaking more on his own subsequent amendment No. 93 than on the amendment actually moved, because one would be incomplete without the other. I would remind the House of what the Select Committee said in its report. They said:

"We do not consider it appropriate to embody in the Statute any specific provision for the fulfilment of this intention, but we consider that in the Instrument of Instructions to the Governor General a passage should be inserted making it clear that this power should be exercised in the general manner indicated above and in particular to secure adequate representation of the interests of agriculture and co-operative banking if these interests had not secured such representation among the elected Directors."

Sir, we intend to call the particular attention of the Secretary of State to that recommendation and I submit that the clause in the Bill read together with the recommendation is really the proper way to deal with this matter. I oppose the amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (1) (b) of clause 8 of the Bill, for the word 'four' the word 'two' be substituted."

The motion was negatived.

Mr. K. P. Thampan: Sir, I move:

"That in sub-clause (1) (b) of clause 8 of the Bill, for the words 'Governor General in Council' the words 'the Finance Member of the Government of India subject to the approval of the Governor General' be substituted."

[Mr. K. P. Thampan.]

The meaning is obvious. I do not propose to waste my lungs by making a speech.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (1) (b) of clause 8 of the Bill, for the words 'Governor General in Council' the words 'the Finance Member of the Government of India subject to the approval of the Governor General' be substituted."

The Honourable Sir George Schuster: Sir, I must oppose my Honourable friend's amendment on grounds which have already been explained fully to the House in connection with other proposals. I think it would hardly be justifiable for me to take the time of the House in making a long speech in repeating the explanation of my grounds. Sir, I oppose.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (1) (b) of clause 8 of the Bill, for the words 'Governor General in Council' the words 'the Finance Member of the Government of India subject to the approval of the Governor General' be substituted."

The motion was negatived.

Mr. T. N. Ramakrishna Reddi: Sir, I beg to move the amendment which stands in my name, which runs thus:

"That in sub-clause (1) (b) of clause 8 of the Bill, after the words 'Governor General in Council' the words 'to represent agricultural interests of the country' be inserted."

If you see the composition of the Central Board and of the Local Boards, you will find that there is very little chance of the agricultural interests to be represented. Sub-clause (1) of clause 8 says:

"The Central Board shall consist of the following Directors, namely:

- (a) a Governor and two Deputy Governors.....
- (b) four Directors to be nominated.....
- (c) eight Directors to be elected on behalf of the shareholders on the various registers, in the manner provided in section 9 and in the following numbers, namely:
for the Bombay register—two Directors,
for the Calcutta register—two Directors etc."

The method of election is also given in clause 9. The Local Boards have to elect eight Directors. In the Local Boards, five out of eight are the elected members from the shareholders; and then three members are to be nominated by the Central Board. The Central Board nominates these three members just to restore any inequity, that is to say, with particular reference to the territorial, economic or agricultural interests. Hence, if at all there is to be any representation of agricultural interests in the Local Boards, it comes only under these nominations made by the Central Board

Raja Bahadur G. Krishnamachariar: Unless my amendment which comes later is accepted.

Mr. T. N. Ramakrishna Reddi: I am speaking about the amendment before the House, which is an amendment to the clause in the Bill as it stands before the House. These Directors are to be elected not by the entire Local Board, but only by the elected members of these Local Boards. Naturally the five elected members will be only from the commercial and capitalist section, and we cannot expect them to represent the agricultural interests. Therefore, if you remove these three nominated members, it is only the five elected members who will have to elect the Directors to the Central Board, and since, as I said, they will represent the commercial and capitalist interests, they cannot be expected to elect two Directors to the Central Board who would represent the agricultural interest. There is, therefore, absolutely no chance for the agricultural interests to be represented on the Central Board and they can come in only through nomination as provided in clause (b) to sub-clause (1). I, therefore, desire that all the Directors . . .

Mr. Bhuput Singh (Bihar and Orissa: Landholders): What is the meaning of agricultural interests? Which class will represent them,—landholders or tenants?

Mr. T. N. Ramakrishna Reddi: I cannot say which class. We expect landholders to represent agricultural interests and also certain other gentlemen who have devoted their time and attention to the agricultural needs of the country. I don't exclude such persons. We can easily distinguish between those who represent the commercial interests and the agricultural interests. Even though some people may not own landed properties, still, by virtue of their having devoted a good amount of time to study the agricultural needs of the country, they can be said to represent the agricultural interests, because, after all, those who possess lands may not in some cases have the requisite ability or knowledge to represent their own interests, and since this is the only means by which agricultural interests can be represented in the Central Board, I request that my amendment be accepted.

Mr. President (The Honourable Sir Shammukham Chetty): Amendment moved:

"That in sub-clause (1) (b) of clause 8 of the Bill, after the words 'Governor General in Council' the words 'to represent agricultural interests of the country' be inserted."

The next amendment in the name of Mr. Mahapatra seems to be more comprehensive having the same object in view. Does Mr. Reddi want that his amendment should stand? Because the next amendment says:

"to represent territorial or economic interests not already represented, and in particular to represent the agricultural interests and the interests of Co-operative Banks."

What does Mr. Reddi say? Would he still desire his amendment to stand, or he would ask for leave to withdraw his amendment and allow Mr. Mahapatra to move his amendment?

Mr. T. N. Ramakrishna Reddi: If it is the desire of the House that I should withdraw my amendment, I have no objection.

Mr. President (The Honourable Sir Shanmukham Chetty): So he would ask for leave to withdraw his amendment?

Mr. T. N. Ramakrishna Reddi: Yes, Sir.

Mr. President (The Honourable Sir Shanmukham Chetty): Has the Honourable Member the leave of the House to withdraw his amendment?

The amendment was, by leave of the Assembly, withdrawn.

Mr. Sitakanta Mahapatra (Orissa Division: Non-Muhammadian): Sir, I beg to move:

“That to part (b) of sub-clause (1) of clause 8 of the Bill, the following be added at the end:

‘to represent territorial or economic interests not already represented, and in particular to represent the agricultural interests and the interests of Co-operative Banks.’”

Sir, I hope by moving this amendment I am not propounding a new theory. The Joint Select Committee have thought it wise to attach a proviso to sub-clause (1) (b) of clause 9 of the Bill giving a Statutory direction to the Central Board how to nominate members to the Local Boards. If you compare this proviso with my amendment, you will see that I have simply intended to place a Statutory direction for the guidance of the Governor General in Council also how to nominate Directors of the Central Board in the same sentiments and in the very same words. The Finance Member is committed to the proviso to sub-clause (1) (b) of clause 9, so far as the Central Board is concerned; but so far as the Governor General in Council is concerned, the clear desire of the Joint Select Committee has been expressed in unmistakable language at page 3 of their Report, and the Finance Member is obviously committed to it. The Joint Select Committee seem to have wished very much to incorporate such a direction for the guidance of the Governor General in Council in making nominations to the Central Board, but have apparently been scared away by the apprehensions of hurting the majesty of the Governor General in Council. The reasons they have advanced in a faltering manner in the paragraph under reference as to why they did not think it proper to lay down in the Statute such a proviso are quite unconvincing and inadequate, and so, apparently, they wanted this House to set things right. Sir, in the Reserve Bank, as it was introduced in 1927 by Sir Basil Blackett, there was Statutory provision for nomination of one Director to represent agriculture, and clear directions were laid down in the Bill for the guidance of the Governor General in Council for making nominations. In clause 8 of that Bill, as was accepted by this House, there was Statutory provision for the representation of Co-operative Banks by one Director and agricultural interests by two Directors through elections. In the 1928 Bill, that Sir Basil Blackett wanted to introduce in this House, there was a clear provision for the election of one Director to represent agriculture and Co-operative Banks, and this Bill he framed, as we all know, after crossing the seas to consult the Secretary of State personally. The natural father of the Bill under discussion is the experts Committee that assembled

in London last year, of which the Honourable the Finance Member himself was a member, and which included six other Honourable and very distinguished Members of this House. I shall read out the directions given by that Committee to the framers of this Bill :

"In view, however, of the fact that in the particular circumstances of India, election may fail to secure the representation of some important elements in the economic life of the country, such as agricultural interests, we recommend that a minority Board should be nominated by the Governor General in Council under the present Constitution and by the Governor General at his discretion under the new Constitution, it being understood that this power would be exercised to redress any such deficiencies."

I presume, Sir, there is a clear indication in this sentence for such a Statutory direction to the Governor General in Council, but as the proverbial ill luck of the Indian cultivator would have it, the framers of this Bill have failed to respect these directions. Now, the laudable sentiments and the pious desire, expressed by the Joint Select Committee in the paragraph above referred to, fully cover my purpose only if I know that they have any guarantee behind it. In the second sentence of the paragraph, it is not clear who it was that assured them anything. In the third sentence also, as I have said already, they don't mention their reasons why they did not consider it proper to lay down directions. But the most important passage is the last portion of it. The Report is before the public for the last three weeks. Has there been any exchange of views between the Finance Member and the London authorities over this question? If I only know that the powers that be have agreed to insert such a passage as recommended by the Joint Select Committee in the Instrument of Instructions to the Governor General, then my purpose of moving this amendment would be served. This House has thought it fit to disagree with the recommendations of the Joint Select Committee on several points. Who knows that the Imperial Government or the Parliament will accept this recommendation of the Joint Select Committee, although the Finance Member seems to be very jealous of the Committee's recommendations? Practically speaking, what is the amendment? Does it fetter the discretion of the Governor General in Council in any way? Even if this amendment is accepted, will there not still remain the widest latitude for the Governor General to exercise his discretion? What I want is simply to give Statutory effect to the very desires expressed by the Joint Select Committee in their report and the qualitative value of such desires, although in the nature of assurances, and a Statutory enactment have been discussed threadbare by the Honourable the Leader of the Centre Party. I cannot improve upon them. But then I tell you frankly echoing the same sentiments that you yourself expressed some years ago that we have no faith in mere wishes or assurances unless there be a Statutory guarantee. I know how helpless I am. All my advocacy on behalf of the ryot will be waste of breath unless I can invoke the sympathetic consideration of the Honourable the Finance Member. On this amendment, I believe the Honourable the Finance Member is one with me, and I hope that sympathetic consideration will be forthcoming. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That to part (b) or sub-clause (1) of clause 8 of the Bill, the following be added at the end :

"to represent territorial or economic interests not already represented, and in particular to represent the agricultural interests and the interests of Co-operative Banks."

The Honourable Sir George Schuster: I think the greater part of my Honourable friend's speech is really unnecessary. I have already referred the House to the recommendation in our own Select Committee's report. My Honourable friend has read out to the House the relevant passage from the recommendations of the London Committee and I have already referred to it in this House and stated the authority which the Secretary of State is prepared to give to the recommendations of the London Committee. In these circumstances, I think that my friend's doubts and suspicions are not justified. In fact this is not a matter of controversy at all. There is no reason to have doubts and suspicions about it. Every one, who has examined the position, has approached it in the same way and come to the same general conclusions and the only point is whether anything should actually be included in the Statute. For many reasons we felt it would be better that it should not be included in the Statute, but the substance of my Honourable friend's intention will, I am quite sure, be attained. On these grounds which I have already explained once today to the House, I must oppose my Honourable friend's amendment and take my stand on the Select Committee's report.

Mr. Sitakanta Mahapatra: May I put one question? Has the Honourable the Finance Member any information about inserting those recommendations in the Instrument of Instructions to the Governor General from the Secretary of State?

The Honourable Sir George Schuster: No, Sir. We have had a great many points to raise and I have not actually asked for an immediate and specific answer about this from the Secretary of State. We have sent him the Joint Select Committee's report and I have not raised the question, because I feel no doubt about it in my own mind.

Mr. Sitakanta Mahapatra: In view of the assurance given, I ask leave of the House to withdraw my amendment.

The amendment was, by leave of the Assembly, withdrawn.

Mr. K. P. Thampan: Sir, I beg to move:

"That after part (b) of sub-clause (1) of clause 3 of the Bill, the following new part be inserted and the subsequent parts be relettered accordingly:

'(c) two Directors representing the interests of agriculture to be elected by provincial co-operative banks holding shares to the nominal value of not less than Rs. 5,000'."

The principle of having Directors to represent agricultural interests to be elected by Provincial Co-operative Banks has already been discussed and accepted. As my friend, Mr. Mahapatra, pointed out in connection with his amendment, this is a provision borrowed from Sir Basil Blackett's Bill of 1928. The difference is that in that Bill only one Director is provided, while I have provided for two Directors. Sir, it might be urged that if two extra Directors are appointed, the Directorate will rather become unwieldy. I might mention in this connection that the Bill of 1927 provided for, if my memory is correct, about 23 Directors, while,

in the Bill under discussion, we have provided only for 15. In the Bank of England also there are 24 members in the Directorate. So there is no difficulty in having two extra Directors to represent these special interests. I am sure, the idea will commend itself to the House.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That after part (b) of sub-clause (1) of clause 8 of the Bill, the following new part be inserted and the subsequent parts be re-lettered accordingly:

'(c) two Directors representing the interests of agriculture to be elected by provincial co-operative banks holding shares to the nominal value of not less than Rs. 5,000.'"

Mr. Amar Nath Dutt: I am sorry I cannot support the amendment. I have been connected with these Co-operative Banks for a long time. One was established in my own village in 1907 and I have been the Secretary, Deputy Chairman and Director of the Central Co-operative Bank of my district.

Mr. K. P. Thampan: That is why it failed?

Mr. Amar Nath Dutt: It never failed, but is the premier Central Bank in Bengal. I say that these Co-operative Banks hardly represent agricultural interests. Further, the wording of this amendment is hardly happy. It speaks of Directors representing the interests of agriculture. Certainly the Directors do not represent the interests of agriculture. You advance loans to village societies and thereby make the poor agriculturists more indebted and now-a-days loans cannot be had anywhere save and except through these Co-operative Banks, and if the banks do not withhold their hands, it will work ruin to the agriculturists. So I submit that neither the wording of my friend's amendment is happy nor are the words correct. The Directors certainly do not represent agricultural interests. In the circumstances, I am sorry I am obliged to oppose this amendment.

Mr. B. V. Jadhav, Sir, I rise to support the amendment. I am very sorry that my friend from Bengal is not very enthusiastic over the co-operative movement. My friend, as one belonging to the exploiters' class has done his work very well in raising a palatial building for housing the Co-operative Central Bank. He says that the Managers or Directors of the Bank are not much interested in the agriculturists and for that reason the Co-operative Banks are not properly managed. I agree with him there. The exploiter class has taken advantage of the co-operative movement and they have appropriated all the remunerative posts there and, in that way, have contributed their best to the ruin of the co-operative movement. But the movement is a very sound one and, wherever the agriculturists have freed themselves from the thrall of this exploiter class, they are well able to take care of themselves. It is very necessary that they should have representation on the Directorate of the Reserve Bank and I, therefore, whole-heartedly support this amendment.

The Honourable Sir George Schuster: Sir, I am afraid I must again oppose this amendment on the same sort of ground that I have taken in the last two discussions, *viz.*, that it upsets the balance of our own carefully-balanced scheme. There appears to us to be no particular reason

[Sir George Schuster.]

for singling out Provincial Co-operative Banks to have the power of directly electing representatives to the Board. So far as it is necessary, we think that they will secure adequate representation either by the ordinary method of election or by virtue of the Governor General's power of nomination. I think, Sir, I need not repeat arguments which I have already used and I oppose this amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That after part (b) of sub-clause (f) of clause 8 of the Bill, the following new part be inserted and the subsequent parts be re-lettered accordingly:

'(c) two Directors representing the interests of agriculture to be elected by provincial co-operative banks holding shares to the nominal value of not less than Rs. 5,000'."

The motion was negatived.

Mr. T. N. Ramakrishna Reddi: Sir, I move:

"That in sub-clause (f) (c) of clause 8 of the Bill, for the words 'eight Directors' the words 'nine Directors' be substituted."

Sir, let not Government think that my intention is to increase the elected element. It is only intended to restore the equality in the representation of the Directorate. Sir, Madras has been given only one Director. In the matter of the agricultural and commercial importance of the Madras area, it stands on a par with other areas like Calcutta and Bombay, and hence I think Madras also should be given two Directors. I see it has been classed with Rangoon, which has only a small interest to represent. At least as the oldest Presidency and a very important Presidency, I urge that it should be given one more representative on the Directorate, and it is only to restore that equality that I request that there should be nine Directors instead of eight.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (f) (c) of clause 8 of the Bill, for the words 'eight Directors' the words 'nine Directors' be substituted."

Raja Bahadur G. Krishnamachariar: Sir, I have also tabled a similar amendment and I, therefore, support the present amendment. If the House will refer to the minutes of dissent, they will find that all the Madras Members, who were on the Joint Select Committee, have made a complaint that they have not got an equal number of Directors on the Madras List, and really speaking, I take it that this amendment is preliminary to the next amendment which is really a substantial amendment unless we be told to point out where the other Directors should come from and that is why this amendment has been moved. I do not think that it is in any way going to disturb the nicely balanced provisions of the Bill and I do hope that in view of the importance of the Madras Presidency, at any rate in view of the fact that for a long time in the past the Madras Presidency headed the list of provincial contributions and thus made money available to the Government of India, and of the fact that the Madras Presidency is the senior Presidency, whatever people might say about its being benighted, I would request the Honourable the Finance Member to

accept this very very modest request of ours, especially as it is supported by all the Madras Members who sat there in deliberation with him.

Mr. Gaya Prasad Singh: Sir, I find some difficulty in agreeing to this amendment. This has brought out the question of provincial representation on the Directorate of the Bank, and it will be observed that Rangoon has also got only one Director like Madras. Sir, the voice of Madras is vociferous on the floor of this House, while none has made any reference to Rangoon. I think if any Member from Burma had been here, he would have expressed regret at this fact. Sir, I think it would be unfair to disturb the equilibrium which has been arrived at in the Select Committee by increasing the number of Directors for Madras.

Raja Bahadur G. Krishnamachariar: Because Rangoon has not been given one additional Director, therefore Madras should not be given one additional Director?

Mr. Gaya Prasad Singh: On the merits also I find that the claim of Madras has been over-stated. Madras, Sir, has over-representation from the highest in this House (Laughter) downwards, and I think Madras would do well to exercise some self-restraint and impose a limit on its own ambition. I hope this amendment will be withdrawn.

The Honourable Sir George Schuster: Sir, I am finding support this afternoon in most unexpected quarters. (Laughter.) I can quite understand the motives of my Honourable friends who support this amendment and I quite realize that if they do not support it, they run the risk of being greeted with black flags and cries of disapprobation when they return to their constituencies. But I think my Honourable friend, who has just spoken, has really said all that need be said on the matter. We have, after a very careful consideration, arrived at this evenly balanced scheme and I should be very loth to disturb it.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (1) (c) of clause 8 of the Bill, for the words 'eight Directors' the words 'nine Directors' be substituted."

The motion was negatived.

Mr. K. P. Thampan: Sir, I move:

"That in sub-clause (1) (c) of clause 8 of the Bill, for the word 'eight' the word 'thirteen' be substituted."

Sir, if this amendment is accepted, I propose, as suggested in my amendments Nos. 6 to 10, that the number of Directors from all the provinces may be increased by one more. Sir, the only objection that could be urged against my proposal is that the Directorate will become very unwieldy. I may instance the case of the Bank of England, which has got 24 Directors, and in Sir Basil Blackett's Bill also provision was made for 23 Directors. Eight is too small a number. Sir, the more Directors there are, the more representative the Directorate becomes and, for this large country of diverse interests and large population, with

[Mr. K. P. Thampan.]

agriculture as their staple industry, it is highly desirable to have as large a Directorate as possible. I hope my amendment will be accepted.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (7) (c) of clause 8 of the Bill, for the word 'eight' the word 'thirteen' be substituted."

The Honourable Sir George Schuster: Sir, it has always been an essential feature of this scheme that the Board of Directors should be kept as small as possible. When I say "as small as possible", I mean as small as would be consistent with giving adequate representation to the various areas and the various interests in India. After careful thought, we came to the conclusion that a Board of 12 Directors, apart from the Governor and the Chief Executive Officers of the Bank, would give adequate representation and, on this ground, I must oppose my Honourable friend's amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (7) (c) of clause 8 of the Bill, for the word 'eight' the word 'thirteen' be substituted."

The motion was negatived.

Dr. Ziauddin Ahmad: Sir, I beg to move:

"That in sub-clause (7) (c) of clause 8 of the Bill, for the words 'eight Directors to be elected on behalf of the shareholders on the various registers in the manner provided in section 9 and in the following numbers, namely:—' the following be substituted:

'eight Directors to be elected by shareholders on the various registers in the following numbers, namely:—'."

Sir, in this motion I am raising one of the most important issues in the Shareholders Bank and that is the question of direct and indirect representation. I hope that my Honourable friend, the Finance Member, will at least in this case appreciate the arguments that I will bring forward and, if he is convinced, he will abide by them, although I have very little hopes. Sir, there are several kinds of intoxications. Some persons suffer from the intoxication of opium which lulls them into sleep and, therefore, they do nothing. Others suffer from the intoxication of *ganja* which makes them think upside down and they feel that they are being raised to the Heaven. Then there are some persons who suffer from the intoxication of wine and they too have a similar kind of feeling. But, in addition to all this, there is another kind of intoxication which is much more damaging than any of these intoxications.

Mr. Amar Nath Dutt: Sir, I protest against the insinuations of the Honourable Member.

Dr. Ziauddin Ahmad: I very much appreciate the remark of the Honourable Member, but I am afraid he has not been able to understand me, because I have not yet come to the conclusion. As I was saying,

in addition to all these three kinds of intoxication, there is another kind of intoxication which is much worse than either of these and that is the intoxication of having the votes of the majority in the pocket. A person who has been intoxicated by having the majority of votes in his pocket loses his judgment and also loses his commonsense.

Mr. R. S. Sarma: I hope the Honourable Member will admit that his Party Leader has not got that intoxication.

Dr. Ziauddin Ahmad: I am not entering into personalities. Sir, such a man loses his sense of proportion and tries to stick to every word that he once uttered, because he has got the consolation that, when the votes will be taken, he is certain that he will win the day in spite of his being unreasonable. In this case, however, I appeal to the Honourable the Finance Member that he should carefully consider the arguments which I am going to advance in favour of direct representation. Sir, there are three arguments which I would like to develop. My first argument is that the number of voters is very small and it does not justify the formation of an electoral college. The second argument is that as your electoral college is too small, the election will be a farce. This point I will illustrate later on. My third argument is that you are going to start a novel practice which does not exist either in any company or in any Central Bank and also it did not exist in the Bill which was presented by Sir Basil Blackett in 1927.

Now, let me take up the first argument, namely, that the number of voters is not sufficiently large to justify the formation of an electoral college in the name of the Local Boards. I would not oppose the formation of Local Boards for other purposes, but I am opposing the assignment of the function of an electoral college. After making calculations, I have come to the conclusion that the number of actual voters in every circle will be from 350 to 550 and for this small number it is hardly necessary that we should go in for an electoral college. My friend, the Finance Member, will again say that here I am dealing with a hypothetical case. But I would like to remind him that, in every branch of mathematics, there is the theory of probability, and all problems are solved by means of that theory. He may brush aside the case that I am going to put forward by saying that it is an example of a hypothetical number bringing forward a hypothetical case illustrated in a hypothetical speech, but I submit that all these are mere pleasantries.

[At this stage, Mr. President (The Honourable Sir Shammukham Chetty) vacated the Chair which was then occupied by Mr. Deputy President (Mr. Abdul Matin Chaudhury).]

I want this problem to be solved in a particular manner. The other day Mr. Neogy said something about my Honourable friend's Department and I will emphasise it on other occasions. One thing I must say about my Honourable friend's Department is that it possesses all kinds of hooks which really serve the purpose of getting the money from the vest coat pockets, trouser pockets, coat pockets, and I do not know how many thousands of such hooks he possesses. Coming back to my argument, I said that there will be only 350 to 550 voters. Now, we have got a capital of five crores divided into shares of Rs. 100 each; therefore, there will be five lakhs of shares. The number of votes will be one lakh, if no vote is wasted. But the votes of persons who hold one, two, three

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or four shares will be wasted, also those who hold six, seven, nine or eleven, and so on, will be wasted. The useful votes are those who have shares which are exact multiples of five. I have calculated this from various standpoints and the minimum amount of wastage on account of this fraction will be 20 per cent. Then, any person who holds 50 shares of the value of Rs. 5,000, will be eligible to give ten votes, but the shares of the value of more than Rs. 5,000 will also be wasted. There will be no votes for the holders of these shares for an amount exceeding Rs. 5,000. We insisted that there should be a minimum of this wastage, but by the majority of votes we decided that there should be no limit and the amount of wastage here also will be at least 20 per cent. To my mind, it will be more later on, but, taking the lowest figure, it is bound to be at least 20 per cent. Therefore, the number of available voters by deducting this 40 per cent of this wastage will be only 60,000. This much about the votes.

I now come to the voters. One person can exercise one vote, two votes up to ten votes. Therefore, by the well-known formula of his own Department the average number of votes which a person can have will be seven which figure is obtained thus: Twice the maximum *plus* the minimum divided by three. Therefore, the average number of votes, exercised by each voter, will be seven. Therefore, the actual number of voters will be only 9,000. That will be the number of voters of the shareholders under the scheme which is now before us. Now, these 9,000 voters are divided into five different circles. Therefore, in one circle there will be 1,800 voters. It is the experience of all those persons who have come by election that the number of voters who actually vote is never more than 30 per cent of the actual number, it varies between 20 to 30 per cent. Twenty per cent in ordinary elections and thirty per cent in contested elections. Taking all these into consideration, the actual number of voters available will only be from 350 to 550, it will be 350 when there is not a keen election and 550 when there is a contested election.

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): We do not understand how you have arrived at these figures.

The Honourable Sir Brojendra Mitter: I think the Honourable Member would do well to bring a black-board to explain; because we cannot follow.

Mr. R. S. Sarma: I suggest to the Honourable Member the desirability of issuing a memorandum explaining his figures and in the meantime we can take his speech as read.

Mr. Deputy President (Mr. Abdul Matin Chaudhury): Honourable Members will please allow Dr. Ziauddin Ahmad to proceed with his speech without interruption.

Dr. Ziauddin Ahmad: I always thought that the Finance Department would work out those figures. I was saying that out of a lakh, 40 per cent. goes in wastage. Then we are left with 60,000. On account of plurality of votes, a man may not exercise up to one or up to ten votes and, therefore, the average will be about 9,000 votes available. Therefore, the number

of actual voters that will be available will only be from 350 to 550. I say, this number is not sufficiently large to justify the establishment of an electoral college.

The second point, a much more important point is that the electoral college is so small that it is certainly not election but jobbery, and I am going to illustrate how the thing will be worked. Though the thing will be worked in camera, yet I am going to explain in the open Assembly how election in the case of the Local Board will be taken up for the Central Board. Supposing, for example, there are two honest persons who are very clever and who are very rich and who have got the best brain and the greatest business ability. Supposing, as against them, there is another man like myself who is the most scheming man and I want to get elected. I will tell you how I will do so. I first approach my friend, Mr. Mitra, and tell him "come along with me, let us both form a group and then if we can get one more man, probably we can defeat these two honest men, who depend on their ability and on their integrity and upon nothing else. Let us combine together and get elected". Both of us approach a fifth man, say, my Honourable friend, Mr. Raju, and put forward to him a bargain, and tell him: "if you vote with us and give us your vote, both of us will promise that we would make you with our votes a substitute Director". I myself will absent from two of the meetings and my friend, Mr. Mitra, will absent from two other meetings alternately, so that Mr. Raju will have four meetings of the Central Board. In addition to this, we make another promise to my friend, Mr. Raju, saying that the three persons who will be nominated for the Local Board by the Central Board will be his friends, Mr. A, Mr. B and Mr. C, and that with these three persons and himself Mr. Raju can rule the Local Board. We ask him in return for these promises that he should join us in getting us elected. I think it will require more than average honesty to say no. Since my friend, Mr. Raju, has agreed to our proposal, those two honest fellows, who are depending on their business ability and who do not know what is going on behind the curtain, will come to the meeting and will find surrounded by an interested plot; and this is the way in which elections will be carried on for the Central Board from the Local Board. Do you call this an election or do you call it a jobbery? The scheming man will get things done in the way he likes and he will manage the election just as I have described. As far as I know, no election on these lines is conducted in any institution.

The Honourable Sir George Schuster: Has my Honourable friend got any figures or statistics or theory of probabilities to show how he arrives at his assumption that in all cases 60 per cent. of the elected Directors on the Local Board will be dishonest?

Dr. Ziauddin Ahmad: I think my Honourable friend's interruption was intended only to stop the effect of what I have been saying. This is really an index of his possessing a majority of votes on his side.

The Honourable Sir Brojendra Mitter: Why does my Honourable friend take himself so very seriously?

Dr. Ziauddin Ahmad: I am always serious when discussing mathematical problems. In mathematics, there is no room for any joke, it is all a serious thing. As I was saying, this is the way in which the election to the Local Board will be carried on. The electoral college of five persons is quite a misnomer. Really speaking, there will be no proper election and two persons

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by giving an inducement to a third person can always get a majority of votes in a particular manner. If by chance one man absents himself from a meeting, then there will no necessity to offer any such inducement to my friend, Mr. Raju. One of us may be elected as President and the two honest fellows will never vote for themselves, because if my friend, Mr. Mitra, proposes me as the Chairman of the Committee, then the two persons with the casting vote of the Chairman will always secure election of the two persons whom they want. This thing actually happened in the election of a Master of a College of a particular University. I shall not give out the names of the College and the University. There were four fellows in a College, of whom one man, the Master died, and three persons were required to elect a fellow, one of them was the most competent man and the other a senior man and the third was neutral.

Mr. Deputy President (Mr. Abdul Matin Chaudhury): I think the Honourable Member has already made his point sufficiently clear and he need not repeat his point once again.

Dr. Ziauddin Ahmad: I shall cite this story or rather the incident on some other occasion. I took this point and I wanted to illustrate the same by means of one or two examples and this is the way in which these elections are carried on. These elections are always carried on by a small group in this fashion. If you have got five persons for electing two, really speaking that is not election. It is a kind of managed election, like the managed currency, a kind of stage-managed election that is carried on by one or two persons who know how to manœuvre and how to secure votes.

I have said that in the first place the number is not sufficiently large to justify the formation of an electoral college, and in the second place in his electoral college, the number is so small, namely, five that the election will be a mere farce, it will be a manipulated election, it will not be a real election.

My third point is the merit of indirect election. We, in India, have always opposed indirect election. A great controversy has been going on as to whether it is sound to have indirect election for Local Boards, for Municipalities and even for the Legislatures, and the Indian opinion has always been decidedly against the formation of electoral colleges and they always supported direct election. I took some great pains to read the Acts of the various Central Banks in different countries to find out whether there was any example of indirect election for the Directorate of any Central Bank—probably I might have missed out the constitution of some—but of all the banking Statutes that I consulted, I did not find a single constitution in which the Directors of the Central Board were elected by indirect election and not directly by the shareholders. My friend has emphasised on the floor of the House that we should follow the example of civilised countries and that we should not have a State Bank, but we should have a Shareholders Bank in order that the civilised countries may have some more confidence in our scheme. But when we come to this question of direct or indirect election, my Honourable friend will get up and say that the conditions in India are very peculiar, that it is a vast country which is split up into so many provinces and, therefore, we should have an indirect election here. But you cannot have one principle to be used in one case and another principle brought up for another. Now, I come to my own country. When Sir Basil Blackett first produced his scheme of a Shareholders Bank, he provided in clause 9 that “nine Directors are to be elected

by shareholders, each of whom shall be a registered holder in his own right of no less than 20 unencumbered shares in the Bank and of whom two shall be elected to represent business interests, and so forth". That is, indirect election is not provided, and I cannot understand how the question of indirect election has been allowed to creep in our Bill, and it is surprising that nobody has raised his voice against it. My Honourable friend, Sir Cowasji Jehangir, is a great expert in business and the administration of companies; my Honourable friend, Mr. Sen, is an expert in company law. I wish these two gentlemen may get up and say in which companies Directors are elected through an electoral college and not directly by shareholders. I think this is a unique example and we are creating a history in the organisation of Central Banks by introducing the principle of indirect election by means of electoral colleges; and, not only in the history of Central Banks, but in the history of the administration of companies. My friend may perhaps bring forward one example, but really one example cannot wipe out a million other examples.

The next point I should like to bring out is that we have been emphasising the creation of democratic spirit which will be introduced by means of the shareholders, but I find that the position of the shareholders will be like that insect which produces an issue and immediately dies out. I have forgotten the biological name of that insect, but probably some one may enlighten me. That will be exactly the position of the shareholders. They will come forward and elect a member for the electoral college and, afterwards, they have nothing more to say except that they will go on receiving their dividends. I think this is a question of extreme importance. It will not affect the scheme; the Local Boards will remain as they are and everything will remain as it is. But, if my Honourable friend will accept the position that the Directors may be represented direct by shareholders to whom they should directly be responsible and not responsible to the Local Boards, then that will give greater satisfaction and it will not upset any of his schemes. It will require very small modification, that is, sub-clause (2) will have to be omitted and two or three words in another clause will have to be omitted and the whole scheme of the Shareholders Bank will remain in tact. Sir, with these words, I move my amendment.

Mr. Deputy President (Mr. Abdul Matin Chaudhury): Amendment moved:

"That in sub-clause (1) (c) of clause 2 of the Bill, for the words 'eight Directors to be elected on behalf of the shareholders on the various registers, in the manner provided in section 9 and in the following numbers, namely:—the following be substituted:

'eight Directors to be elected by shareholders on the various registers in the following numbers, namely:—',"

Mr. S. C. Sen (Bengal National Chamber of Commerce; Indian Commerce): Sir, I fully support this amendment. We have had a long discussion as to whether this Bank should be a Shareholders Bank or a State Bank, and this House has, after a good deal of deliberation, come to the conclusion that it ought to be a Shareholders Bank. But the Shareholders Bank ought to have some authority or power given to the shareholders. The only power, as my Honourable friend, Sir Cowasji Jehangir, stated, was the right of the shareholders to nominate Directors, but the scheme of the Bill has not even given that vestige of right to the shareholders. What is the right of the shareholders? The shareholders' right, as Dr. Ziauddin pointed out, is only to elect an Electoral Board for the purpose of electing Directors. Why should not, they have the direct right of

[Mr. S. C. Sen.]

appointing Directors? I know the scheme which has been propounded here is a well balanced scheme, but, at the same time, I do not see anything which justifies the introduction of indirect election which has throughout this country been abandoned for many years. Why should that be stuck to? In the Bengal Council, before the introduction of the present reforms,— I do not know whether this was the case in other provinces also,— members came by indirect election from Municipalities or District Boards. But that was abandoned, because it did not accord with the democratic ideas of the time. Why should that antediluvian idea be stuck to in the present legislation, I do not know. If you make a direct representation of the shareholders to nominate the Directors, I do not see that the scheme, as enunciated in the Bill, will be in any way jeopardised or will be changed in any way. A mere verbal alteration here and there will be sufficient and everything will go on all right. Of course the Honourable the Finance Member on a previous occasion stated that there would be practical difficulties in giving the shareholders power over the actions of the Directors, but here nothing of the kind will be done. Only the Directors will be appointed at the same time as they will be called upon to appoint the local bodies.

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) resumed the Chair.]

In these circumstances, no extra cost will be incurred, no extra labour will be involved and the whole thing will go on as if it is an ordinary election. In my experience about company matters, I have never come across any company where a similar thing is done. Of course it is not possible to have that thing done, because the shareholders are the owners of the company. But, here, although the shareholders have to pay and to receive a fixed dividend, they have nothing to do with the management. They are not even the owners of the Reserve Bank. That may be the difference but at the same time, I do not see why they should not be allowed to have direct election as regards the Directors. With these words, I support the amendment of Dr. Ziauddin.

Diwan Bahadur A. Ramaswami Mudaliar: Mr. President, I am anxious that the position should be correctly appreciated by the House. I may say at once that I have a great deal of sympathy with the underlying idea of my friend, Dr. Ziauddin Ahmad, but it seems to me that it is a somewhat overstatement of the case to suggest that this is merely an indirect election and that the shareholders have really no voice in electing the Directors to the Central Board. I wish to draw the attention of my friend to this aspect of the case. What happens? The shareholders elect five members to the Local Board. Of these five, two are bound to be the Directors of the Central Board; therefore, the shareholders have really elected two Directors to the Central Board; let there be no mistake about it. I can well understand if there were a power given to the Local Board to elect any two persons not from among themselves as Directors to the Central Board; but that is not the case. The power is to choose two of their own men as Directors of the Central Board. Therefore, particularly where the Local Board is asked to elect two Directors to the Central Board, it may be taken without any violence to the imagination that the shareholders have elected two Directors—at any rate they have elected five persons of whom two shall be Directors of the Central Board. I think it

is a little overstating the case to suggest that the shareholders have had no share in the election of the Directors and that the electoral college is ridiculously small. As regards the argument that the electoral college is ridiculously small, if the first statement, that I have just made, is correctly appreciated, Members will realise that it is of importance to narrow down the Local Board; if the shareholders at any rate are going to elect 20 members to the Local Board and these 20 are called upon to elect two Directors, the chances of somebody, of whom the shareholders are really not keen, are very much more than in the other case; and if my friend will apply the theory of probabilities, he will find that at least it is 700 per cent. more if the electoral college is 20 than it will be if it is 5

Dr. Ziauddin Ahmad: May I just point out one case to him: had there been direct election, then these two honest persons of my story would have been elected and not let down by the intrigue of one man.

Diwan Bahadur A. Rainaswami Mudaliar: Had there been a direction, these two gentlemen would never have been elected at all. That is my simple answer to the question, and it is because some of us feel that there is some point in getting proper, able and honest men to this Central Board, which is much more important than a membership of the Local Board, that this idea of a double-distilled election has been thought of. It seems to me that my friend, while, as I say, I am in great sympathy with the idea of direct election, and I should not be understood by anything that I have said to subscribe in any degree to the principle of indirect election, I suggest that my friend has overstated the case in stating that the shareholders have nothing at all, that they die immediately after their issues are born, and that the Directors of the Central Board have no organic relation at all with the shareholders. I suggest that they do have a very important organic relation. What will happen in practice is merely this, that the Local Board is elected; the President and Vice-President have to be chosen for the Local Board. I do suggest that the President and Vice-President of the Local Board will *ex-officio* be the Directors of the Central Board. There can be no question of election of Directors to the Central Board; that could not really be called indirect election, and the shareholders, when they elect Directors to the Local Board, ought to be considered to have taken into consideration the proper persons to occupy the places of President and Vice-President. In actual practice I have no doubt that this is how it will work, as it has practically in connection with the Imperial Bank. I, therefore, suggest that it will be not a very correct statement to say that the shareholders have no voice at all in the election of the Directors and that this plan may be accepted.

The Honourable Sir George Schuster: I do not know how my Honourable friends opposite have fared, but I think I am entitled to say that of my colleagues here judging from the comments of the Honourable the Law Member, I certainly was the only man who followed my Honourable and very learned friend's argument. My Honourable friend told us of various kinds of intoxication, but I think his list is incomplete. There is another kind which he did not mention and that is intoxication from one's own intellectual ingenuity. (Laughter.) My Honourable friend very often comes before us in a highly elevated frame of mind. His own intellectual ingenuity so inspires and exhilarates him that he produces sometimes some very frightening pictures. I think that the whole of his

[Sir George Schuster.]

case falls to the ground when I point out that this awful result which is held out before us is based entirely on the assumption that out of five elected Directors only two in all cases and for all time will be honest men. I suggest that that is a very unfair assumption; and even if it were the case, even if two are honest men and three are rogues, I believe—I am not very skilled myself in the working principles of proportional representation by means of the single transferable vote—but surely my Honourable friend will bear me out that if, on a Board of five a man receives two first choices, he will be elected. Is that not so? (*An Honourable Member*: “Yes.”) I think that that is so. Now, according to clause 57(2)(a) of this Bill, the holding and conduct of elections will be held on the principle of proportional representation by means of the single transferable vote. Therefore, these three wicked men who sit on the front bench—my Honourable friend himself and his two next door neighbours—will succeed in one of the two directorships and the two upright and honest men sitting behind him will also be successful in securing the election of one of them. Therefore, I suggest that my Honourable friend’s very pessimistic conclusion is not justified

Dr. Ziauddin Ahmad: May I just know in what part of the Bill the principle of proportional representation in the election of the members of the Central Board by the Local Board is provided?

The Honourable Sir George Schuster: Yes, in clause 57(2)(a); that is the principle which is to apply to all elections under this Bill. Now, my Honourable friend, Mr. Sen, said that he had never known of any company where this principle was followed. But, as was pointed out by the last speaker, we are in fact in this proposal merely following the principle which has been followed in practice with great success by the Imperial Bank. The position there is that the Local Boards elect their own President and Vice-President, and the President and Vice-President automatically sit on the Central Board. That was our model for the present scheme; we do not lay claim to any great ingenuity for having devised this

Dr. Ziauddin Ahmad: May I interrupt and say that it is just this example which we should not like to follow because it is such a bad example, as amply illustrated by Mr. Pandya.

The Honourable Sir George Schuster: My Honourable friend is entitled to his opinion as I am entitled to mine; and, I submit, that for a company which has to spread its activities over the whole of a vast sub-continent like India, the method which has been evolved in the case of the Imperial Bank is a practical success, and that it would be very difficult to find a practical method which is more likely to be successful than this has been. That is how we arrived at this proposal. I do not go so far as to claim any certainty of success for it; I think he would be a very bold man who could claim that for any feature of this Bill it was an absolute certainty that it was going to be a success. That must be a matter of experience; but, in a very difficult case where it is extremely difficult to devise practical measures which have any chance of success, I submit that the scheme which we have now holds the field and that no other preferable scheme has been put forward. One must remember that there are two things to be

kept in mind. These Local Boards may have, in the course of evolution, some useful functions of their own to perform. That we are providing for in a way which could not possibly be provided for by creating mere electoral colleges; and, secondly, one has to provide for some practical means for securing the attention of the shareholders scattered all over India to this important duty of carrying out the elections of Directors. I submit that this is a scheme which has great chances of success and the whole of my Honourable friend's case in attacking that claim falls to the ground, because his conclusions are only reached after a series of six or seven steps of assumptions, each of which is a very questionable assumption. On these grounds, I oppose the amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (1) (c) of clause 2 of the Bill, for the words 'eight Directors to be elected on behalf of the shareholders on the various registers, in the manner provided in section 9 and in the following number, namely :-' the following be substituted :

'eight Directors to be elected by shareholders on the various registers in the following numbers, namely :-'."

The motion was negatived.

Mr. President (The Honourable Sir Shanmukham Chetty): The next amendment is No. 93 standing in the name of Mr. Jadhav. That has been disposed of already.

Then the next amendment is the one standing in the name of Raja Bahadur Krishnamachariar, No. 94. Does the Honourable Member want to move it?

Raja Bahadur G. Krishnamachariar: Yes, Sir; I wish to move it.

Sir, this is the one amendment which does not interfere with what has now become a classic in this discussion of this well balanced Bill. I do not disturb the number "eight". I do not disturb any of the numbers which the Committee and this Bill have provided for the proper working of this Bill. All that I say is, instead of leaving the nomination of Directors, etc., to chance in the case of agricultural interests, I desire that it should be provided

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair has got a doubt whether it is in order for this reason. When the whole scheme is that the eight Directors ought to be elected by five different registers, how is he going to make sure that two Directors would represent agricultural interests?

Raja Bahadur G. Krishnamachariar: If the idea is provided for the representation of agricultural interests, then some method must be provided for it.

Mr. President (The Honourable Sir Shanmukham Chetty): But he does not propose the method. He does not seek to impose any obligation on a particular register to elect a certain minimum of agricultural interests.

Raja Bahadur G. Krishnamachariar: We expect the highest only to be two. It seemed to me unfair that one register only should bear the

[Raja Bahadur G. Krishnamachariar.]

responsibility. That is the reason why I said that two out of these eight shall be representatives of agricultural interests, and I would suggest one out of Madras and another out of Bombay. Sir, if you will allow me to make this small alteration, I shall be obliged. I did feel the difficulty a few minutes ago, but I thought we might be able to get over it by the subsidiary clause added to it, one out of Madras and one out of Bombay.

An Honourable Member: Why not Rangoon?

Raja Bahadur G. Krishnamachariar: I do not like to include Rangoon in view of all the *gadbad* that is going on in London, and Burma may go out, and the whole scheme will fail.

Mr. President (The Honourable Sir Shammukham Chetty): The Honourable Member must move it as it is and take his chance.

Raja Bahadur G. Krishnamachariar: But surely, Sir, you might help me.

Mr. President (The Honourable Sir Shammukham Chetty): The Chair is prepared to agree if the Honourable Member makes any small verbal alteration; the Chair will not take any objection to that, but there is no use of the Honourable Member saying vaguely what is in his mind. How exactly would he likely to move the amendment, would he just tell the Chair?

Raja Bahadur G. Krishnamachariar:

"Provided, however, that at least two of the eight Directors so elected, one out of the Madras register and one out of the Bombay register, shall be representatives of agricultural interests."

Mr. President (The Honourable Sir Shammukham Chetty): Very well, the Chair will put one out of the Madras and one out of the Bombay register.

Mr. S. C. Mitra: Take one from Bengal.

Raja Bahadur G. Krishnamachariar: Will the Bengal gentlemen agree?

Mr. President (The Honourable Sir Shammukham Chetty): The Honourable Member must make up his mind.

Raja Bahadur G. Krishnamachariar: One out of Madras and one out of Bengal. Sir, I am afraid of going near Bombay, because they are so strong in their industrial interests that I will get my whole thing knocked out if I approach Bombay, but Bengal is fairly agricultural, and Madras is wholly agricultural. Therefore, I beg to move:

"That to sub-clause (c) of clause 3 of the Bill, the following proviso be added:

'Provided that at least two of the eight Directors so elected, namely, the one Madras Director and one of the two out of the Bengal Register, shall be representatives of agricultural interests.'"

Sir, I do not want to take up the time of the House by entering into a long argument. It is admitted that agricultural interests should be represented, and, as at present devised, the only arrangement is that it will be provided in the Instrument of Instructions to the Governor General that, in making nominations, he should have these things in view. I have no doubt that these things will be kept in view, but I think it will be far more satisfactory if the verdict comes out of the shareholders' mouth and they say that such and such gentlemen shall represent their interests. I make a special point of it, because, I believe, in clause 55, it is stated that "within a period of three years the Central Board shall lay before the Legislature, if necessary, a scheme for a full course of rural credit, and, in order to devise that, it is absolutely necessary that men, who have had local experience and who come by election, should be on the Board in order that they may give all their experience to the Board and thus make up a rural credit scheme. That, Sir, is my argument.

Mr. President (The Honourable Sir Shammukham Chetty): Amendment moved:

"That to sub-clause (f) (c) of clause 8 of the Bill, the following proviso be added:

"Provided that at least two of the eight Directors so elected, namely, the one Madras Director and one of the two out of the Bengal Register, shall be representatives of agricultural interests."

Mr. G. Morgan (Bengal: European): Sir, I would just like to say one word on this absolutely impracticable amendment of my Honourable friend. First of all, there is no Bengal register.

Raja Bahadur G. Krishnamachariar: I need not add.

Mr. G. Morgan: Very well, it is the Bengal scheme. Would my friend take the trouble to read Sub-section III and find out what the Eastern area consists of? On that register I would ask him to propose an amendment stipulating which part is to represent the agricultural interests and which part to represent the other interests. Sir, I am not going to make a long speech on this subject, because the amendment is so impracticable that all I can do is to oppose it absolutely.

The Honourable Sir George Schuster: Sir, I must also oppose my friend's amendment. It would mean that we should be laying an obligation on the shareholders on the Madras register and on the Calcutta register, that the Madras register should always appoint a man to represent agricultural interests and that the Calcutta shareholders should always appoint one out of the two. I do not think we are entitled to put that obligation on them, and the result might be to secure considerable over-representation of agricultural interests. I am sure my friend, on further consideration, will agree to withdraw his amendment.

Raja Bahadur G. Krishnamachariar: 95 per cent. of the agricultural population and still over-representation?

Mr. President (The Honourable Sir Shammukham Chetty): The question is:

"That to sub-clause (f) (c) of clause 8 of the Bill, the following proviso be added:

"Provided that at least two of the eight Directors so elected, namely, the one Madras Director and one of the two out of the Calcutta Register, shall be representatives of agricultural interests."

The motion was negatived.

Mr. President (The Honourable Sir Shanmukham Chetty): The next amendment is the one in the name of Mr. Lalchand Navalrai. Does the Honourable Member want to move it?

Mr. Lalchand Navalrai: Yes, Sir; I want to move it; but on this I should like to bring one matter to the notice of the Chair. This amendment may depend on the fact whether 75 per cent. of the shares would be available for Indians. That question has not yet been settled. It would come under clause 4, and that has been kept in abeyance.

Mr. President (The Honourable Sir Shanmukham Chetty): This need not necessarily depend upon that.

Mr. Lalchand Navalrai: The view of the Government would be clear if that amendment is accepted.

Mr. President (The Honourable Sir Shanmukham Chetty): Does the Honourable Member want to move his amendment No. 95?

Mr. Lalchand Navalrai: Yes, Sir.

I will not take long.

An Honourable Member: Five minutes?

Mr. Lalchand Navalrai: Even less than five minutes.

Sir, I move:

"That to part (A) of sub-clause (1) of clause 3 of the Bill, the following proviso be added:

"Provided that not less than three-fourths of the shares of the proposed Indian subjects of His Majesty."

Sir, on this point it is quite clear that the Government's view is that Indian interests should be protected and Indians should have a larger hand in the Reserve Bank. I think, instead of giving my own arguments on this point, I would refer to what has been said on this point in the note of dissent on page 17 of the Joint Committee Report. It is said:

"In case our proposal for a State Bank is not accepted by the Legislature, we insist that the following modifications are indispensable:

Not less than three-fourths of the Directors or members of the Local Boards should be native Indian subjects of His Majesty."

This minute of dissent has been signed by no less than nine members. I need not mention their names. They are on page 19. The reply to this is in the report of the Joint Committee itself and that we find on page 14. It is said:

"As regards the general purpose of the Bill, the Joint Committee have made it clear that they would not consider anything less than 75 per cent."

cent. of the voting Directors as affording a proper representation of Indians. We have received an assurance on behalf of the Government from the Government members of the Committee that the Governor General in Council will exercise his powers so as to ensure the proper representation of Indians on the first Board."

Mr. Bhuput Sing: This is in regard to the first nomination.

Mr. Lalchand Navalrai: But the principle is the same. What I would emphasize is that the whole thing is left in the hands of the Government. We all know how words and phrases in English are liable to several interpretations and misinterpretations. Besides, it is no assurance at all. I do not think the Government are serious in denying us that right. Then, why should it not be specifically mentioned in the Bill itself and not left to be liable to any distortion later on. It should be clearly stated in the Bill itself that 75 per cent. of the Directors would be Indians. I do not want to take any more time of the House at this fog end of the day. I trust that the House will strongly support my amendment.

The Honourable Sir Brojendra Mitter: On a point of information. What does the Honourable Member mean by Indian subjects of His Majesty? Does he include or exclude subjects of the Indian States?

Mr. Lalchand Navalrai: I find there is an amendment, No. 114, by Raja Bahadur Krishnamachariar which is more comprehensive. I was conscious of that difference and if I were sure that he would move it this time . . .

The Honourable Sir Brojendra Mitter: My question was whether he intended to include or exclude Indian States.

Mr. Lalchand Navalrai: If the other amendment is not moved I would press this.

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member has explained it. Amendment moved:

"That to part (d) of sub clause (f) of clause 8 of the Bill, the following proviso be added:

"Provided that not less than three-fourths of the Directors shall be domiciled Indians subjects of His Majesty."

The Honourable Sir George Schuster: As regards the general intention of this amendment, I have already given my arguments against it in the speech which I made at the end of the general discussion on this Bill. Apart from that, I think that my Honourable friend's amendment might be unworkable in practice for the same reasons that I pointed out in connection with the last amendment. If in fact, the elections do not produce this result, I do not know how my friend proposes that they should be corrected. Apart from that it is open to the objection that I have already pointed out on many occasions. We must regard it as technically a discriminatory provision and the furthest that we have been able to go to meet the views of Honourable Members who attach importance to this sort of provision has already been made clear by me in the discussion in the Joint Committee and in the statement which I have already made.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That to part (d) of sub-clause (1) of clause 8 of the Bill, the following proviso be added:

'Provided that not less than three-fourths of the Directors shall be domiciled Indians subjects of His Majesty'."

The motion was negatived.

Mr. V. K. A. Aravamudha Ayangar (Government of India: Nominated Official): Sir, I rise to move:

"That sub-clause (2) of clause 8 of the Bill be omitted."

Sir, the objections to the retention of this provision in this clause have been stated in the note appended by the Government members in the Joint Committee to that Committee's report. If I may state the objections, they are these. In the first place, the phrase "tested banking experience" is very vague and is likely to give rise to difficulties in interpretation. Who is to conduct this test? What would be a satisfactory test? What is the kind of banking experience in view? Is it experience as a Director of a Bank or is it experience in any executive capacity in the Bank? All these things are so vague that it is not proper to include such a vague provision in a Statute. In the second place, as pointed out by the Government members, if what we have in view is experience of commercial banking, the qualifications and experience required in the head of a central banking institution are not necessarily acquired in commercial banking, and if commercial banking experience is the only kind of experience, the period of five years is too short. I will go further and say that experience as a joint stock banker, whose outlook has been cribbed, cabined and confined by the narrowness of profit-earning pursuits cannot always secure that breadth of vision and that appreciation of broader national interests that are essential in the head of a central banking institution. To sum up, the Government are in entire agreement with the Joint Committee that the Governor, who is chosen as the head of the Bank, should be one who will command the confidence not only of the general public, but also of commercial and banking circles and the best way to achieve this result is not to narrow the field of choice in the way that is proposed to be done by sub-clause (2), but to leave it as wide as possible. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That sub-clause (2) of clause 8 of the Bill be omitted."

Mr. B. Sitaramaraju: I rise to oppose this amendment. It comes with refreshing relief to find Honourable Members opposite moving for the omission of a clause under this Bill. There are many on this side of the House who would like to omit a good many clauses of the Bill and what is more, they have got this in their favour. They could advance reasons much more convincing than those advanced by my Honourable friend, the Mover of this amendment, with all respect to him. Here is a case where the members of the Joint Committee have laid very great stress and they have said that you cannot appoint any person and every person to this high office. They said that the person who holds this high office should have some banking experience. The Honourable

the Mover of the amendment asks, what is tested banking experience? Is it practical experience in banking or is it Director's experience? He knows more than anyone else in this House what is meant to be understood by banking experience. We know that the Honourable Members who belong to the Indian Civil Service are said to be qualified to hold many different positions in this country. It may be that they have no special experience or knowledge, but still they are appointed to high offices in matters relating to industries and agriculture, education, and so forth, on no other ground of knowledge and experience, but that they have probably acquired a little bit of Latin and Greek in passing through their examinations. Sir, I should say that in reality if there is one service where the least qualifications for utility have been prescribed, it is that service; and there are the men appointed to all high offices; and with that experience behind us, we are nervous and are anxious to secure that, in the case of an important office like this, there should be given no loophole to the Government to appoint persons to this job who are the least qualified to hold this position. After all, even the dissenting minute of Sir George Schuster and Mr. Taylor does not say that banking experience should *not* be a qualification. They suggest, if I remember their note aright, they said it this were to be a qualification, that is not enough and that is not the only qualification. Sir, it was very difficult for me to find out what they exactly meant. Do they mean to say, or do they mean not to say, that banking experience should or should not be a qualification or even one of the qualifications? If they say that it is not the only qualification and that there must be other qualifications besides that, I for one might agree, but if they mean to deny that the persons holding that high office need not necessarily have the experience of the functions of a banker, I venture to submit that I cannot agree with them. Assuming for the moment that banking experience is considered a necessary qualification for that purpose, inconsistently enough they say that five years' experience of banking is not sufficient. But is it something better than nothing? This is intended to prevent the Government making undesirable appointments, particularly when we feel that the post is one which should command the confidence of the people of India, an appointment which should carry with it the prestige of the great Central Bank that we are going to have. Therefore, is it unreasonable to consider that the Governor of this Bank at least should know something of his job? Without that, it is very difficult to conceive how the Head of the Department is going to control the destinies of this Bank.

Sir, the Honourable Members who have written the majority report have carefully considered the point of view raised by the Finance Member and the others who were speaking for the Government. They carefully weighed their arguments and they think that it is absolutely essential in the interest of India that this Bank should command the confidence of the people and, to that end, the Governor should be a man of at least five years' banking experience. Sir, it is unnecessary for me to speak at any great length at this time of the day, but this much I can say that we on this side of the House attach great importance to the qualifications which should be possessed by the person who holds this high office. It was said that these words, which were added by the majority members of the Joint Committee, are so vague, but I understand, Sir, those are the words which were exactly copied from some Central Bank constitution—I believe it was the South African Central Bank. Do they mean

[Mr. B. Sitaramaraju.]

to suggest that that Bank, when they made a provision like this, did not know what they were providing for, that they did not know that those words were real, definite and in substance intended to prevent a bad choice? Do they mean to say that these words are not intended to give the Government a reasonable latitude? I say that the experience of South Africa affords us a valuable guide, and, nothing being shown to the contrary, I do think that the words, which were inserted in this majority report, should stand, in view of the considerations we have mentioned and in view also of the antecedents of the Government in the matter of selections for high offices.

The Assembly then adjourned till Eleven of the Clock on Tuesday, the 12th December, 1933.

LEGISLATIVE ASSEMBLY,

Tuesday, 12th December, 1933.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shannukham Chetty) in the Chair.

QUESTIONS AND ANSWERS.

LOAN ADVANCED TO THE BAHAWALPUR STATE.

1387. *Sirdar Harbans Singh Brar: (a) Will Government please state the total loan advanced to the Bahawalpur State upto the end of this calendar year? What is the amount of (i) capital, and (ii) interest thereon?

(b) Has any portion of the capital or interest been realised so far?

(c) What funding arrangements have been made with the State?

(d) What is the annual interest due in respect of the total loan?

(e) Have Government arrived at a decision regarding the writing off of a portion of the loan?

(f) Before deciding the matter finally, do Government propose to give this House an opportunity of discussing the matter in case they consider it necessary to remit a portion of the loan?

The Honourable Sir George Schuster: (a) The total amount of the Bahawalpur loan, including interest, outstanding on the 31st October, 1933, was Rs. 11,98,14,582. I am having fresh calculations made of the separate figures for direct capital expenditure and for accumulation of interest. These will be laid on the table in due course.

(b) No.

(c) The budget of the State section of the Sutlej Valley Project has been entirely separated from the State budget, and is under the control of a Public Works and Revenue Minister who has been authorised to correspond direct with the Government of India in the Finance Department. After deducting a sum roughly equivalent to the revenue which was derived by the State from the area in question before the inauguration of the Sutlej Valley Project the balance of the income derived from the Project will be devoted to the liquidation of the loan. It is anticipated that the Project will begin to earn a profit in 1934-35 and the profits should increase rapidly in subsequent years.

(d) I would invite the attention of the Honourable Member to the reply given to part (b) (i) of starred question No. 655 by Mr. Gaya Prasad Singh on the 6th September, 1933, where the estimated interest for this year was given as approximately 63½ lakhs.

(e) No.

(f) I do not wish at this stage to admit the necessity of having to remit any portion of this loan. If however any financial re-arrangement involving a remission of capital should be proved to be necessary, Government will consider in what manner it will be possible to discuss its terms with representatives of the Legislature.

Mr. Lalchand Navalrai: May I know from the Honourable Member if any Committee was appointed to go into the claims of the Government against the Bahawalpur State?

The Honourable Sir George Schuster: No Committee has been appointed on that particular subject. An expert Committee was appointed to advise us as to the reconstruction of the whole scheme.

Mr. Lalchand Navalrai: Did it consider this question of the loans?

The Honourable Sir George Schuster: I understand my Honourable friend to mean, did they consider the question of the State's claims against the Government of India? They only considered them incidentally. They were not appointed to go into that question.

Mr. Lalchand Navalrai: Did they make any report that there should be a reduction in the loans, or a writing off?

The Honourable Sir George Schuster: No. It was not their function at all to make recommendations on that to the Government.

Dr. Ziauddin Ahmad: May I ask one question? Is not this loan forced on that State in order that the Punjab Government might complete a particular scheme and is it that the State never demanded it?

The Honourable Sir George Schuster: My Honourable friend in the guise of a question is making a series of very serious insinuations against the various authorities that have been concerned in this matter. I do not wish to do more than state most emphatically that my Honourable friend's insinuations are entirely unjustified.

Mr. S. C. Mitra: Was there any suggestion from the expert Committee or anybody else for further capital expenditure over this project in order that it may help in realising the whole amount?

The Honourable Sir George Schuster: I have not got in my mind the exact details of the recommendations of the expert Committee, but what they did was to recommend the closing down of certain works, and I think there were certain subsidiary works which would fall, under my Honourable friend's question, under the description of further capital expenditure which was of a very minor nature. There was no substantial further capital expenditure involved.

Mr. M. Maswood Ahmad: Is it a fact that the initiative was taken by the Punjab Government as regards the work for which this loan was taken?

The Honourable Sir George Schuster: As regards the initiative, that is going into complicated past history. All the authorities which owned land which would have come into this scheme were, I think I may say, equally

interested in getting this scheme started, and, in order to get it started, it was necessary that they should all come in.

Dr. Ziauddin Ahmad: May I just put my question in a simple form? Did the State demand this loan?

The Honourable Sir George Schuster: The State was certainly very anxious to have this scheme undertaken. There was no question about that.

Mr. Gaya Prasad Singh: Will Government kindly state the approximate annual income of the State, seeing that about Rs. 11 crores have been advanced to it?

The Honourable Sir George Schuster: I would remind my Honourable friend of the answer which I gave to a similar question in Simla. This project cannot, of course, stand on the security of the State revenue. It stands on its own revenues, and the revenues of the State, apart from this project, would be quite insufficient to meet the service of the loan which they have raised.

Mr. S. C. Mitra: May we take it that there is a fair chance now of the realisation of capital and interest in a reasonable period of time?

The Honourable Sir George Schuster: I can tell my Honourable friend that the situation has improved a very great deal in the last eighteen months. The sales of land have been proceeding quite satisfactorily, and if there is anything like a recovery to normal prices, this project will not only be able to pay for the loan, but will be a very profitable project for the State. If present prices continue, it looks as if it would be possible to provide interest on the loan and as if the Government would not be involved in any serious loss.

Mr. President (The Honourable Sir Shammukham Chetty): Next question.

LOANS ADVANCED TO DIFFERENT STATES IN THE PUNJAB.

1388. ***Sirdar Harbans Singh Brar:** (a) Will Government please state the amounts of loans advanced to different States in the Punjab States Agency, stating the purpose for which they were required, which have not been paid in full so far?

(b) Have Government received any applications for loans from Indian States during the present year? If so, what are (i) the names of the States; (ii) the amounts applied for and (iii) the purposes for which they are required?

The Honourable Sir George Schuster: A statement is laid on the table.

Statement.

(a)

States.	Amount advanced.	Purpose for which required.
	Rs.	
1. Bahawalpur . . .	11,98,14,582 (Up to the 31st of October, 1933).	To finance the State's share of the expenditure in connection with the Sutlej Valley Project.
2. Khairpur . . .	9,00,000	To prevent a break-down of the administration of the State owing to the serious decrease in realisations of land revenue resulting from the general fall in the prices of agricultural products.
3. Patiala . . .	23,00,000	This represents the arrears outstanding against the State in the account current with the Accountant-General, Punjab, on the 31st of March 1932. This debt was funded and is now being repaid by fixed instalments.

(b)

States.	Amount applied for.	Purpose for which required.
	Rs.	
1. Nawanagar . . .	25,00,000	To enable the State to carry out certain essential works begun by His Highness the late Jam Sahib.
2. Tripura . . .	9,00,000	To enable the State to meet financial difficulties due to the economic depression.
3. Alwar . . .	25,00,000	To prevent a break-down in the administration.
4. Dhrangadhra . . .	45,00,000	To enable the State to pay its debt to Bhavnagar State and to meet expenditure on the State Alkali works.
5. Vala . . .	1,30,000	For administrative purposes.

Items 1 to 3 of this list have been approved by the Government of India ; items 4 and 5 are still under consideration.

Mr. S. G. Jog: May I know whether the Government of India as such have got any definite policy as regards the granting of loans to these various States? Have they got any definite set of rules and regulations which govern the grant of loans to the States?

The Honourable Sir George Schuster: Yes, Government have a very definite policy on the matter

Mr. S. G. Jog: Does the matter ever come before the House or before the Standing Finance Committee before the loans are granted?

The Honourable Sir George Schuster: No. Under the present constitution, matters of that kind would not come before this House.

Mr. S. G. Jog: Am I to understand that these loans are given by the Government of India on their own responsibility?

The Honourable Sir George Schuster: The answer to that is obviously in the affirmative.

CONSTITUTION OF JAIL COMMITTEES IN THE CENTRALLY ADMINISTERED AREAS.

1389. ***Sirdar Harbans Singh Brar:** (a) Will Government be pleased to state if it is a fact that all the provincial Legislative Councils have got their own Jail Committees, whose members are *ex-officio* visitors of all the jails situated in their respective provinces?

(b) Is it a fact that the centrally administered areas have got no Legislative Councils and therefore no Jail Committees of legislators whose members may be *ex-officio* visitors of the jails situate in those areas?

(c) Are Government prepared to constitute a Jail Committee consisting of members elected by this House, who should be *ex-officio* visitors of the jails and the detention camps situate in the centrally administered areas? If not, why not?

The Honourable Sir Harry Haig: (a) As far as I am aware this is not the case.

(b) Yes.

(c) Government see no reason to take the action suggested.

Mr. Gaya Prasad Singh: Are there any non-official visitors to the Delhi Jail which is centrally administered?

The Honourable Sir Harry Haig: I should imagine there are, but I should require notice of that question.

REPAIRS TO THE HOUSES OF THE MEMBERS OF THE LEGISLATURE AND OTHER GOVERNMENT OFFICERS IN NEW DELHI.

1390. ***Dr. Ziauddin Ahmad:** Are Government aware that the New Delhi houses of the Members of the Legislature and other Government officers are not repaired in a manner to prevent the falling of lime from the ceiling? If they are not so repaired, what is the reason therefor?

The Honourable Sir Frank Noyce: Government are aware and regret that a certain amount of discomfort has been caused to the occupants of some Government quarters in New Delhi by the falling of particles of white-wash from ceilings. This trouble is mainly due to the roofs being saturated by exceptionally heavy rain during August, September and October last, and can be remedied only gradually as the roofs dry.

Dr. Ziauddin Ahmad: Is it not a fact that the rains have been practically uniform in the area all about Delhi and is it not a fact that there has been no such falling of lime from the ceilings of private houses in Delhi?

The Honourable Sir Frank Noyce: I have no information as regards the circumstances of private houses; possibly they are not whitewashed to the same extent as Government buildings.

Dr. Ziauddin Ahmad: Is lime falling from the roof of the house of the Honourable Member himself?

The Honourable Sir Frank Noyce: I understand that, although I myself have been fortunate in that respect, some of my Honourable colleagues have suffered from the falling of lime particles. I may also say that the Chief Engineer has also complained to his own Department in regard to the falling of particles of whitewash from his ceilings.

Mr. Gaya Prasad Singh: Is it a fact that these quarters are sometimes given to outsiders?

Mr. President (The Honourable Sir Shammukham Chetty): That question does not arise.

PAYMENT OF LATE FEE CHARGES IN RESPECT OF WEATHER TELEGRAMS TO THE TELEGRAPHISTS.

1391. *Pandit Satyendra Nath Sen: (a) Will Government please state whether late fee charges in respect of weather telegrams are paid to the telegraphists after the amount is passed by the Meteorological Department, and whether the expenditure incurred on this account is borne by the latter Department?

(b) Are Government aware that in the New Delhi Central Telegraph Office these late fees were being paid to the staff without any reference to the Meteorological Department during the last summer months? How many other offices were following this procedure, and what was the approximate loss to the Telegraph Department from April to September, 1933, on this account, if any?

The Honourable Sir Frank Noyce: (a) Yes.

(b) Information is being obtained and will be laid on the table of the House in due course.

NON-OCCUPATION OF HIS QUARTERS BY THE OFFICER IN CHARGE, NEW DELHI CENTRAL TELEGRAPH OFFICE.

1392. *Pandit Satyendra Nath Sen: Is it a fact that since the last few months the Officer in charge, New Delhi Central Telegraph Office, is not living in the quarters provided for him within the office premises? If so, what arrangements have been made to call him to office or to get his instructions and orders in cases of urgency out of office hours?

The Honourable Sir Frank Noyce: The matter is under enquiry and a reply will be placed on the table in due course.

DELAY IN TRANSMISSION OF TELEGRAMS IN THE NEW DELHI TELEGRAPH OFFICE.

1393. ***Pandit Satyendra Nath Sen:** Is it a fact that in the New Delhi Telegraph Office telegrams suffered heavy delays in transmission during the last six or seven months? If so, why?

The Honourable Sir Frank Noyce: Information is being obtained and will be laid on the table of the House in due course.

PRESS TELEGRAMS ADDRESSED TO THE STATESMAN.

1394. ***Pandit Satyendra Nath Sen:** (a) Are Government aware that in the New Delhi Central Telegraph Office repetitions and corrections for Press telegrams addressed to the *Statesman* are asked from and supplied by other stations by service messages instead of Paid Service Advice as required by rules on the subject, and when the original telegrams delivered to the *Statesman* are found to be without mistakes, the cost of these services messages is not recovered from the *Statesman*?

(b) What was the approximate loss to the New Delhi Central Telegraph Office on this account for the last six months, if any?

(c) Do Government propose to take steps in order to bring about an improvement in the present state of things in the New Delhi Central Telegraph Office?

The Honourable Sir Frank Noyce: (a) and (b). Information is being obtained and will be laid on the table of the House in due course.

(c) The question of whether any action is called for will be considered on receipt of the required information.

RECRUITMENTS TO TRANSPORTATION GROUPS ON THE EAST INDIAN RAILWAY.

1395. ***Mr. S. G. Jog:** (a) Will Government be pleased to enquire and state whether it is a fact that all recruitments to Transportation Groups are made through Selection Board, *vide* Agent, East Indian Railway, Circular No. 548/A.E.-2460 of the 1st October, 1932? If so, when, where and for what recruitment did the Selection Board assemble, and who were its members?

(b) When, where and for what recruitment was the necessary advertisement published?

(c) Was any advertisement published in any of the issues of the Weekly Gazette of the East Indian Railway? If not, why not?

(d) Was any report on the working of the Selection Board ever published? If so, will Government place a copy of it on the table of this House or supply to me? If not, what are the reasons for its non-publication?

Mr. P. B. Rau: (a) Selection Boards are convened as often as necessary for purpose of initial recruitment. The rules provide that a Selection Board of not less than two officers will be appointed by the Head of the Division or Department.

(b) and (c). Government have no information.

(d) My Honourable friend seems to be under a misapprehension in assuming the existence of a permanent Selection Board. This is not the case; Selection Boards are appointed *ad hoc* and no reports on their working are prepared.

PENALTY FOR IRREGULAR USE OF PASSES ON THE EAST INDIAN RAILWAY.

1396. ***Mr. S. G. Jog:** (a) Will Government be pleased to state whether it is a fact that the penalty for irregular use of duty and privilege passes by an officer is only Rs. 5 (*vide* Agent, East Indian Railway, Circular No. 525/A.G.-47-11, dated the 12th January, 1931)? If so, are subordinates also similarly penalized when the nature of irregularity is one and the same? If not, why not?

(b) Is officers' responsibility greater or lesser than of a subordinate?

(c) Will Government lay a statement on the table showing the number of officers and subordinates, respectively, penalized for irregularities, together with the nature of irregularity in each case during the period 1st April, 1933 and 30th November, 1933?

Mr. P. R. Rau: (a) and (b). The penalty referred to by my Honourable friend is not, as he imagines, for irregular use of duty and privilege passes, but for the loss of a pass by an officer and is intended to cover the cost of notification of loss. Any irregular use will be visited with very severe penalties.

(c) The information is not readily available, and Government consider that its collection is not justified on account of the considerable amount of labour involved.

WELFARE SCHEME ON THE EAST INDIAN RAILWAY.

1397. ***Mr. S. G. Jog:** Will Government be pleased to state whether it is a fact that a Welfare Scheme is operating on the East Indian Railway by means of committees posted in areas in each division for the benefit of subordinate staff? If so: (a) how many sittings had each Area Committee of Moradabad Division during the period 1st April, 1933 to 30th November, 1933; (b) what were the subjects discussed at each meeting; and (c) will a copy of the proceedings of each meeting of each Area Welfare Committee either be laid on the table of this House or be supplied to me?

Mr. P. R. Rau: The answer to the first part is in the affirmative. As regards the second part, I am making enquiries from the East Indian Railway and shall lay a reply on the table in due course.

REVERSION OF CANDIDATES WHO PASSED THROUGH THE RAILWAY SCHOOL OF TRANSPORTATION, CHANDAUSI.

1398. ***Mr. S. G. Jog:** (a) Under what circumstances were the candidates who were selected by the Selection Board, *vide* Divisional Superintendent, Moradabad, No. 12/119/27-F., dated the 19th February, 1931, reading.

"Probationers Course at Chandausi School."

You have passed the Selection Board on 30th January 1931, but are not qualified in Telegraphy from 16 to 18 words per minute. You will be sent for the next probationer's

course at Chandausi which is expected to be in June, 1931. In the meantime you should continue your studies in Telegraphy so that your speed must be from 16 to 18 words per minute and please advise me when you are well up in Telegraphy.

(Sd.) S. N. MISRA,
for Divisional Superintendent."

and who subsequently passed through the Chandausi School, reverted to Relieving Cabin Signaller's Cadre, *vide* Divisional Superintendent, Moradabad, No. E. T.-1/33-E. T.-9/B. M., dated the 23rd September. 1933?

(b) Is the Cabin Signaller's Cadre included for normal channel of promotion to Transportation (Traffic) group as prescribed in the rules for recruitment and training of subordinate staff (copy of which is in the Library of this House)?

Mr. P. R. Rau: With your permission, Sir, I propose to reply to questions Nos. 1398 and 1399 together.

Government have no information and do not feel that their intervention is called for in matters of this sort which are within the competence of the Agent, East Indian Railway, to decide. They have however sent copies of these questions to the Agent, East Indian Railway, for such action as he may feel necessary to take.

**DECLARATION OF PROBATIONERS WHO PASSED IN ALL SUBJECTS FROM THE
RAILWAY SCHOOL OF TRANSPORTATION, CHANDAUSI, AS UNSUITABLE
FOR ASSISTANT STATION MASTERSHIP.**

†1399. ***Mr. S. G. Jog:** (a) Is it a fact that the probationers, who passed in all the subjects from the Transportation School, Chandausi, *vide* Divisional Superintendent, East Indian Railway, Moradabad, letter No. E. T.-1-32/Pro. C. H., dated the 10th May, 1933, addressed to the Station Masters, Bareilly, Kakori, Alamnagar, Sandila, Doiwala, Nagina, Bundki and Gajroula and reading:

"Probationer———, the bearer hereof, who has passed in all the subjects from the Transportation School, Chandausi, has been directed to report himself to you for practical training in train passing telegraphy and coaching duties. Please report his arrival and give him a week's practical training at yours. Station Master, Bundki, will give him only one day's training in Isolation system of working. Station Masters, Kakori and Alamnagar, will put him under training in Lock and Block system for one week each.

"When sending on to the next station each station master should send a report to this office on the progress made and certify that the probationer understands the system of working at each station.

"After he has received training at all the stations the Station Master, Bareilly, will send him to the movement Transportation Inspector, Bareilly who will list him and certify as to whether he is fit to take up independent charge as Assistant Station Master.

(Sd.) G. PANDE
for Divisional Superintendent."

were subsequently declared by the Superintendent, Transportation School, Chandausi, as unsuitable for Assistant Station Mastership, *vide* endorsement reading:—

"Superintendent Chandausi says that he does not suit for Assistant Station Master.

(Sd.) J. R. YOUNG.—22-8-33.

Superintendent Staff Duties."?

†For answer to this question, see answer to question No. 1398.

If so, under what circumstances?

(b) What were the reports made by the station masters and movement transportation Inspector as required in the said letter on each probationer's work?

(c) Under what circumstances was each probationer again sent to the Superintendent, Chandausi?

(d) What are the rules for probationers' confirmation when selected by a Selection Board and passed through the Transportation School and practical training?

(e) What marks in each subject were obtained by each probationer?

RAILWAY ACCIDENTS DURING THE ADH KUMBH MELA AT HARDWAR.

1400. ***Mr. S. G. Jog:** (a) Is it a fact that averted collisions occurred on the 15th, 19th and 25th April, 1933, during the working of Adh Kumbh Mela at Hardwar? If so, was any report made in accordance with the Accident Manual?

(b) When was an inquiry held on each accident and what were the reports and findings?

(c) Who were the members of each inquiry committee?

(d) Were the working rules of the Adh-kumbh Mela, Hardwar Station, unworkable? If not, what were the circumstances under which three accidents occurred consecutively?

(e) Where were the Mela Officer and Supervisor at the time of each accident?

Mr. P. B. Rau: I am obtaining from the Agent, East Indian Railway, certain information necessary for answering this question and shall lay a reply on the table in due course.

STATEMENTS LAID ON THE TABLE.

The Honourable Sir Joseph Bhore (Member for Commerce and Railways): Sir, I lay on the table the information promised in reply to starred question No. 674 asked by Mr. Bhuput Singh on the 6th September, 1933.

EMPLOYMENT OF INDIANS IN THE OFFICE OF THE HIGH COMMISSIONER FOR INDIA.

*674. (a) There are no returns available showing the number of Indians who are unemployed in London and other places in the United Kingdom and it is therefore regretted that the information asked for cannot be furnished. The probable number, excluding lascar seamen, is however understood to be very small.

(b) and (c). The total number of officers and subordinate staff employed in the High Commissioner's office prior to the last retrenchment was 649 of whom 73 were Indians. Of these 73 Indians nine were retrenched—all of whom were on temporary tenure—and two resigned their places not being filled.

(d) and (e). No. The question of the Indianization of the High Commissioner's staff was fully discussed in the Council of State on the 8th September, 1925, on a Resolution moved by the Hon'ble Mr. (now Sir) Phiroze C. Sethna. The reasons then given why it was both impracticable and expensive to employ an entirely Indian staff continue to operate. It may however be observed that the principle embodied in the Resolution adopted on that occasion has been consistently followed by successive High Commissioners in staffing their office.

(f) Presumably the Honourable Member refers to the technical staff of the High Commissioner's Store Department. It is understood that the High Commissioner is, at all times, on the look-out for Indians possessing the necessary technical and other qualifications required for appointments on his staff of the nature referred to, and has appointed thereto Indians from time to time, but the staff of this particular branch of his establishment has recently been severely retrenched and vacancies are likely to be few for some time to come. It may be added that in present circumstances as no security of tenure exists in the High Commissioner's Store Department, men with good technical qualifications are somewhat chary of accepting such service.

(g) Certain officers' posts are filled by deputation of officers from India, and others by promotion. Special or technical posts are usually advertised both in the general and technical press. It has not hitherto been found necessary to advertise vacancies in the minor clerical grades, the great majority of which have of late years been filled by the appointment of Indians.

(h) The present system has been found by experience to work satisfactorily and it is not proposed to make any change for the time being.

The Honourable Sir George Schuster (Finance Member): Sir, I lay on the table the information promised in the reply to starred questions Nos. 1090 and 1091 asked by Mr. Lalechand Navarai on the 21st November, 1933.

CONTRIBUTORY PROVIDENT FUND IN CURRENCY OFFICES.

*1090. (a) Yes.

(b) No.

(c) The staff were not prepared to accept the scheme unless its terms were made more liberal. It was therefore not introduced.

(d) The question has been under consideration for a long time, but cannot be reopened till the present financial stringency is over.

(e) The answer to the first part of this question is in the affirmative. As regards the second part, Government regret they see no justification for making the scheme more liberal. In fact if the staff in question accepted the scheme now, Government would find it extremely difficult to introduce it in present financial conditions.

CONTRIBUTORY PROVIDENT FUND IN CURRENCY OFFICES.

*1091. (a) No.

(b) The answer to the first part of the question is in the negative. As regards the second part, there is no obligation on the part of Government to obtain the approval of the staff concerned before revising their rates of pay.

(c) The general policy of Government is to consult Service Associations only on matters on which they consider such consultation to be necessary or desirable. The scheme proposed cannot be given effect to as it has already been dropped on account of financial stringency.

The Honourable Sir Harry Haig (Home Member): Sir, I lay on the table:

- (i) the information promised in reply to starred question No. 141 asked by Mr. Bhuput Singh on the 20th August, 1933; and
 - (ii) the information promised in reply to part (b) of starred question No. 652 asked by Mr. S. C. Mitra on the 5th September, 1933.
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HOUSE RENT CHARGED FROM THE MINISTERIAL STAFF OF THE CIVIL DEPARTMENTS.

*141. Certain new rules regarding house-rent allowances under the Simla Allowances Code were promulgated in 1924 and Government servants governed by the old rules were given an option to elect the new rules. Those who have elected the new rules are required to occupy Government quarters allotted to them and they pay no rent. If no such quarters are available, they draw the new rates of house-rent allowance, which are higher than the old rates, subject to the production of a certificate that the allowance received does not exceed the rent actually paid. Those who did not elect the new rules continue to be governed by the old rules, under which they draw a house-rent allowance at the old rate and are at liberty not to occupy Government quarters offered to them but are required to pay the full assessed rent of such quarters in case they occupy them. When the allowance is greater than the assessed rent, the balance of the allowance is paid to the Government servant concerned, and in the converse case the balance of the rent is recovered from him. In a few cases the rent charged exceeds 10 per cent. of the monthly emoluments of a Government servant but under Fundamental Rules 45A IV (c) (ii) and 45B IV (c) (ii) Government is not precluded from recovering the full assessed rent even if it exceeds 10 per cent. of the monthly emoluments of a Government servant in cases where such Government servant is in receipt of a compensatory allowance granted on account of dearness of living. Government do not propose to take the action suggested by the Honourable Member as it was open to those who are now under the old rules to elect the new rules in 1924.

RECRUITMENT OF MINISTERIAL STAFF OF THE GOVERNMENT OF INDIA SECRETARIAT AND ATTACHED OFFICES.

*652. (b) There has been only one case in the Government of India Secretariat and its Attached Offices, the circumstances of which were quite exceptional. The transfer of this technical recruit to the ordinary clerical staff was necessitated by reasons of economy in pursuance of the general retrenchment campaign.

The Honourable Sir Frank Noyce (Member for Industries and Labour): Sir, I lay on the table:

- (i) the information promised in reply to unstarred question No. 121 asked by Rao Bahadur B. L. Patil on the 18th September, 1933, and
- (ii) the information promised in reply to a supplementary question to starred question No. 1023 asked by Mr. Muhammad Anwar-ul-Azim on the 20th September, 1933.

BONUS PAID TO POLICY-HOLDERS BY POSTAL INSURANCE.

121. (a) The rates of bonus declared by Government during the last 12 years are as follows :

1922—1-1/5 per cent. per annum on the sum assured, in the case of Life Insurance and 4/5 per cent. per annum in the case of Endowment Assurances for each full year the respective policies were in force between the 1st April, 1917, and the 31st March, 1922.

Interim bonus at 3/4th of the above rates in the case of Life Insurance and Endowment Assurance policies which became claims by death or survival between the 1st April, 1922, and the 31st March, 1927.

1927—12 per cent. per month on the sum assured in the case of whole Life Assurances secured by premia payable throughout life or for a limited period, or for which no further premia are payable and .06 per cent. in the case of Endowment Assurances, for each full month during which the respective policies were in force between the 1st April, 1922, and 31st March, 1927.

Interim bonus at 3/4th of the above rates was allowed in the case of Life Insurance and Endowment Assurance policies which became claims by death or survival between the 1st April, 1927 and the 31st March, 1932.

(b) The total amount of bonus paid is Rs. 34,66,218 since 1907-08, the first bonus year. Over and above this amount which was paid on death or survival of policy-holders, an amount of Rs. 42,96,247 has been assigned to the existing policy holders as bonus payable with the sum assured.

An amount of Rs. 19,43,394 was set aside as reserve out of the surplus disclosed at the valuation as at the 31st March, 1927.

(c) Out of the reserve of Rs. 19,43,394 *interim* bonus at the rates stated in answer to part (a) in respect of the 1927 valuation has been paid in the case of policies which became claims by death or survival between the period from 1st April 1927 to 31st March, 1932. The balance will be merged in the surplus ascertained at the valuation as at the 31st March, 1932, and a reserve will again be set aside for unfavourable contingencies and for maintenance of bonus at the rates already declared.

NON-APPOINTMENT OF MUSLIMS AS EXTRA-DEPARTMENTAL POSTMASTERS AT ALLAHABAD.

*1023. (a) Since June, 1932, five such appointments have been made.

(b) No. One appointment was that of a Muslim.

(c) No. Only two Muslims applied, one of these has been appointed and the name of the other has been entered on the waiting list.

Mr. G. R. F. Tottenham (Army Secretary): Sir, I lay on the table:

(i) the information promised in reply to starred question No. 343 asked by Mr. B. R. Puri on the 1st September, 1933; and

(ii) the information promised in reply to 'short notice' question asked by Mr. Gaya Prasad Singh on the 18th September, 1933.

* 343.

EXECUTIVE OFFICERS OF CANTONMENTS IN INDIA.

Statement giving the particulars of Civilian Executive Officers of Cantonments,

Cantonment.	Name of the Executive Officer.	Academic qualifications.	Experience of Cantonment work.	Pay and other allowances drawn.	Date since when working.
<i>Northern Command—</i>					
1. Cherat	Mr. Khushdli Khan.	Matriculation	<i>Murree Cantt.</i> —2nd clerk from 1st November 1913; 3rd clerk from 1st December 1923 (post of 2nd clerk having been abolished); Sanitary Inspector 23rd April 1924; Cantonment Inspector from 1st April 1926. <i>Cherat Cantonment.</i> —Assistant Secretary from 1st September 1929 and Executive Officer from 1st March 1932. <i>Risalpur</i> —12 years' service as Cantonment Superintendent; promoted as Assistant Secretary on 6th July 1931 and appointed Civilian Executive Officer on 1st December 1932.	Pay Rs. 200 p. m. Fixed T. A. Rs. 15 p. m.	1-3-32.
2. Risalpur	Mr. Sardar Ali Khan	Matriculation Standard.		Rs. 250—10—300. T. A. Rs. 15 p. m.	6-7-31.
3. Murree Galis	Mr. Mohammad Subhan.	Upto Matriculation Standard.	<i>Murree Cantonment</i> —2nd clerk from 10th August 1917 to 6th July 1920; Head clerk from 7th July 1920 to 21st January 1923. <i>Attock</i> .—Head Clerk from 22nd January 1923 to 20th July 1924. <i>Murree Galis</i> —2nd clerk from 21st July 1924 to 31st March 1926; head-clerk from 1st April 1926 to 10th February 1930; Civilian Executive Officer from 11th February 1930.	Rs. 310. Fixed T. A. Rs. 75 p. m.	11-2-30.

4. Bannu . . .	Mr. Abdul Ghani . . .	F.Sc. Standard (Punjab University); Sanitary Inspector's Course (Punjab Government).	Seventeen years	Rs. 200 <i>plus</i> Rs. 25 fixed T. A. and free quarters.	16-8-32.
5. D. I. Khan . . .	Mr. Goutam Deva . . .	Graduate (Punjab University).	About six years	Rs. 300 <i>plus</i> Rs. 60 fixed T. A.	1-2-30.
6. Abbottabad . . .	Mr. Taj Mohd. Nasir . . .	Upto Senior Cambridge Examination.	<i>Rawalpindi</i> .—Non-official member for 4 years. <i>Jullundur</i> .—Attached for training in 1926. <i>Abbottabad</i> .—Appointed Assistant Secretary on 1st May 1928, and Civilian Executive Officer on 2nd October 1929.	Rs. 425 <i>plus</i> Rs. 50 fixed T. A.	2-10-29.
7. Mardan . . .	Mr. Anant Ram . . .	Matriculate; completed 1st year of F. A. (Punjab University).	<i>Marlon</i> .—Head-clerk from 11th December 1920 to 30th April 1928; Assistant Secretary from 1st May 1928 to 29th February 1932, and Civilian Executive Officer from 1st March 1932.	Rs. 180 <i>plus</i> conveyance allowance of Rs. 15.	1-3-32.
8. Campbellpore . . .	Mr. Khan Mohd. Eshai . . .	<i>Nil</i> .	<i>Rawalpindi</i> .—Attached for training for six months. <i>Campbellpore</i> .—Civilian Executive Officer from 1st February 1930.	Rs. 250 <i>plus</i> conveyance allowance of Rs. 15.	1-2-30.
9. Jhelum . . .	Mr. Shahbaz Khan . . .	M. A. (Punjab University).	<i>Rawalpindi</i> .—Attached for training for about one year. <i>Jhelum</i> .—5 years and 4 months service as Assistant Secretary and Civilian Executive Officer.	Rs. 400 <i>plus</i> conveyance allowance of Rs. 60.	1-5-28.
10. Murree Hills . . .	Capt. H. R. Wise . . .	Educated and passed through Rose Hill Public School in England.	Seven and a half years.	Rs. 500 <i>plus</i> conveyance allowance of Rs. 50.	15-4-26.

Cantonment.	Name of the Executive Officer.	Academic qualifications.	Experience of Cantonment work.	Pay and other allowances drawn.	Date since when working.
<i>Northern Command—</i>					
<i>contd.</i>					
11. Amritsar . .	Mr. M. M. Shourie .	B. A. Hons. (Punjab University).	Received training at Lahore. Appointed Assistant Secretary on 1st April 1929 and Civilian Executive Officer on 1st March 1932.	Rs. 200 <i>plus</i> conveyance allowance of Rs. 15.	1-3-32.
12. Kasauli . .	Mr. B. P. Bhatnagar .	Upto Matriculation Standard.	Joined as Cantonment Head clerk, Sitapur in March 1924. Also worked as Assistant Secretary there for sometime. Continued there till appointed Executive Officer, Nowgong, on 6th May 1928. Remained at Nowgong till the end of 1932; appointed Executive Officer, Kasauli Cantonment on 2nd February 1933.	Rs. 250 <i>plus</i> conveyance allowance of Rs. 30.	2-2-33. (Kasauli).
13. Dharamsala .	Mr. Bachittar Singh .	Matriculation	Head clerk from 1st April 1901 to 30th September 1928; Assistant Secretary from 1-4 October 1928 to 30th September 1930. Executive Officer from 1st October 1930.	Rs. 140 . . .	1-10-30.
14. Jutogh . .	Raj Sahib Thakur . Mansa Ram.	Non-Matric	Head-clerk from 24th June 1907 to 14th November 1929. Superintendent from 15th November 1929 to 30th September 1930. Executive Officer from 1st October 1930.	Rs. 140—150. Rs. 30 Horse allowance.	1-10-30
15. Subathu . .	Mr. W. B. Carr .	European High School and passed Imperial Secretariat Service Examination in 1892.	14 years' service as Cantonment Superintendent, Assistant Secretary and Executive Officer.	Rs. 130 <i>plus</i> Conveyance allowance of Rs. 30.	1-10-30.

16. Bakloh	Honorary Captain Rannu Thapa.	No university standard. Educated at Regimental School prior to 1886.	About 12 years' service as Extra Cantonment Magistrate at Morut and Peshawar, and 7½ years at Bakloh as Executive Officer.	Rs. 150.	26-1-28.
17. Dagshai	Bakshi Pralad Singh	Graduate (Punjab University).	Received training at Rawalpindi. Appointed Assistant Secretary on 1st July 1929 and Executive Officer on 1st October 1930.	Rs. 250 <i>plus</i> conveyance allowance of Rs. 22-8-0.	1-10-30.
18. Dalhousie	Mr. Nand Lal Berry.	Received education of higher standard by private tuition. <i>Western Command.</i>	For about 20 years as Head clerk Superintendent, etc.	Rs. 150 <i>plus</i> conveyance allowance of Rs. 15.	6-7-32.
There is no Civilian Executive Officer in any cantonment in this Command.					
<i>Eastern Command.</i>					
19. Alnora	Rai Bahadur Pt. Keeri Das Joshi.	Passed Entrance Class of the Punjab University.	<i>Aggra—Cantonment.</i> Superintendent 1910. <i>Alnora—Cantonment.</i> Superintendent from 1911 to 10th February 1930. Assistant Secretary from 11th February 1930 to 31st March 1932. Executive Officer from 1st April 1932.	Rs. 200 p. m.	1-4-32.
20. Benares	Pt. Manohar Lal	Passed Entrance Examination of Allahabad University.	<i>Barilly—</i> Head-clerk from 13th April 1918 to 21st December 1929. <i>Shahjahanpur—</i> Assistant Secretary from 22nd December 1929 to 6th February 1931.	Pay Rs. 250 Conveyance allowance Rs. 30 p. m.	7-2-31.
21. Chakrata	Subedar Nola Ram Sondhi.	Matriculation Examination. Higher Standard Examination in English (Military).	Assistant Secretary, Chakrata, from 5th April 1928 to 31st May 1931.	Pay Rs. 375 conveyance allowance Rs. 50 for a car or Rs. 30 for a horse.	1-6-31.
22. Delhi	Jemadar Atar Singh	Passed Higher Standard English Examination in the Army in 1922.	Assistant Secretary. Muttra from 2nd June 1928 to 29th June 1930 on which date he resigned his appointment.	Pay Rs. 300 conveyance allowance Rs. 75 p. m.	9-7-31.

Cantonment.	Name of the Executive Officer.	Academic qualifications.	Experience of Cantonment work.	Pay and other allowances drawn.	Date since when working.
23. Muttra	Rai Sahib H. D. Ghosh.	Entrance Examination of the Calcutta University.	<i>Eastern Command—contd.</i> Retired Superintendent of Army Department, Lands and Cantonments Section. Assistant Secretary, Nainital, from 1st November 1928 to 31st March 1929.	Pay Rs. 300 p. m.	14-11-31.
24. Nainital	Rai Sahib Risaldar Lakshmi Chand Datt	Entrance Examination. Higher Standard English Examination (Military).		Pay Rs. 200 House allowance Rs. 25.	1-4-29.
25. Nowgong	Dafedar Fazaldd Khan.	Anglo Vernacular Middle Examination.	Assistant Secretary, Nainital, from 1st July 1928 to 31st October 1928, on which date he resigned his appointment.	Pay Rs. 250 Conveyance allowance Rs. 30.	26-1-33.
26. Shahjahanpur	Mr. M. A. Ahad	Nil.	Clerk, Bareilly Cantonment Office from 14th March 1905 to 31st August 1907. Head-clerk, Shahjahanpur Cantonment from 1st September 1907 to 31st March 1909. Head-clerk and Superintendent, Shahjahanpur from 1st April 1909 to 31st March 1915. Cantonment Superintendent, Shahjahanpur from 1st April 1915 to 6th February 1927. Assistant Secretary, Shahjahanpur from 7th February 1927 to 17th June 1929. Officiating Civilian Executive Officer, Jhansi from 18th June 1929 to 21st October 1929.	Pay Rs. 200 p. m. plus personal pay of Rs. 100 p. m. Conveyance allowance Rs. 30 p. m.	24-12-31.

27. Shillong	Pt. Mahesh Prasad Towari.	Matriculation Examination, Allahabad University.	Assistant Secretary, Shahjahanpur, from 22nd October 1929 to 21st December 1929. Executive Officer, Benares Cantonment, from 22nd December 1929 to 12th December 1930. Asstt. Secretary, Shahjahanpur Cantonment, from 13th December 1930 to 23rd December 1931. Worked as Executive Officer, Muttra, Ferozabad and Indore City Municipalities for 10 years previous to his appointment as Executive Officer, Shillong Cantonment. Undergone training in Revenue Survey and Land Settlement work.	Pay Rs. 250 p. m.	11-8-31.
28. Sitapur	Mr. Mohd. Zaman Khan.	B.A., LL.B., Punjab University.	Officiating Executive Officer, Jhansi Cantonment from 8th July 1931 to 18th October 1931.	Pay Rs. 200, Conveyance Allowance Rs. 25 p. m.	20-11-31.
29. Jhansi	Mr. Mohd. Abdulla Khan.	Matriculation Examination.	Assistant Secretary, Chevrat Cantonment for about 5 months. Received training for 8 months at Sielkot. (Officiated as Executive Officer, Jhansi, from 21st May 1932 to 19th October 1932.	Pay Rs. 250, conveyance allowance Rs. 100 p. m.	20-6-33.
30. Aurangabad	Capt. H. C. Levitt	English Architect and chartered Surveyor, I. A. R. O. Captain (Engineer). Has English Public School education.	<i>Southern Command.</i> Member of Cantonment Board, Deolali, for about 5 years. Worked under Military Estates Officer since July 1925.	Pay Rs. 400, conveyance allowance Rs. 60 p. m. Allowance for being Consulting Engineer and Electric Inspector Rs. 45 p. m.	8-10-31.

Cantonment.	Name of the Executive Officer.	Academic qualifications.	Experience of Cantonment work.	Pay and other allowances drawn.	Date since when working.
31. St. Thomas Mount	Mr. A. H. Olley	Educated at Charter-house School, London. Holds a 1st class Army School Certificate of Education.	<i>Southern Command—contd.</i> Member Cantonment, Board, Bellary, Assistant Secretary, Cantonment Board, Bellary, since 1929.	Pay Rs. 350, conveyance allowance Rs. 50 p. m.	15-7-30.
32. Saugor	Mr. Sardari Lal Ulagol.		Head-clerk, Cantonment Office, Ambala, for about 8 years.	Pay Rs. 250 p. m., conveyance allowance Rs. 40.	1-7-33.
33. Kemptee	Mr. C. D. Relli	Marriulace, Punjab University. Senior Cambridge examination. Two years College.	9 months training in cantonment work under Capt. S. A. Bowden in Lahore Cantonment.	Pay Rs. 150, conveyance allowance Rs. 30 p. m.	15-6-33.
34. Deolali	Mr. Nur Khan	Upto Matriculation.	Served in Deolali Cantonment for a period of 18 years.	Pay Rs. 150, conveyance allowance Rs. 30.	25-2-33.
<i>Burma Independent District.</i>					
35. Rangoon and Mingaladon.	Capt. C. B. Hamilton, L.A.R.O.	High School, Higher Standard Urdu and Punjabi.	Meerut 1923-24, Sitapur 1925, Lucknow 1926, Rangoon <i>cum</i> Mingaladon since 7th March 1930.	Pay Rs. 350-25-600. Motor car allowance Rs. 100 p. m.	7-3-30.
36. Maymyo	2 Lt. D. P. F., Jutter, A.I.R.O.	B.A. Cambridge, Barrister at Law, Greys Inn, London.	Five months.	Pay Rs. 250, conveyance allowance Rs. 20 p. m.	5-6-33

FORCIBLE ACQUISITION OF A BUNGALOW BY MILITARY ESTATES OFFICER IN PESHAWAR.

From enquiries made from the local authorities, the Government of India are satisfied that the allegations made by Mrs. Tekoo Ram, in her telegram dated the 16th September, are not correct. The bungalow was urgently required for a public purpose, namely, the accommodation of a military officer, and was acquired under the Land Acquisition Act, 1894. An order for immediate possession was given by the Land Acquisition Officer. The facts are as follows:—

Mr. Hari Chand Mehra was absent from the court when the award of the Land Acquisition Collector was announced on the 6th September, although he was aware of the date and knew that he should be present to hear the award. His brother Lala Guranditta Mall was, however, present. On the day fixed for taking possession of the bungalow, namely, the 13th September, the Land Acquisition Collector accompanied by the Military Estates Officer and the Station Staff Officer, Peshawar, visited the bungalow and found it locked up and Mr. Mehra's servants living in the compound. The servants were ordered out of the compound by the Land Acquisition Collector. One of them was offensive to the Land Acquisition Collector and was warned that obstruction on his part would invite his prosecution. This servant was asked to get into touch with the owner and ask him to make arrangements to remove the furniture, and another 48 hours were allowed for vacating the bungalow. No mention was made of the existence of Mr. Mehra's mother. It was later reported that the lady had been paying visits to the bungalow and it was arranged that she should be allowed to do so without any interference and she visited the bungalow at her will and pleasure without any sort of incident whatsoever. The bungalow was again visited by the Land Acquisition Collector accompanied by another magistrate on the 15th September. They were met in the compound by a deputation who asked to be given another day for the vacation of the bungalow; the request was granted. As the money awarded as compensation for the bungalow had already been paid to the owner by the Land Acquisition Collector it was considered desirable to safeguard the property and, with the concurrence of the Land Acquisition Collector, a guard was accordingly placed on it. This action was considered all the more necessary because of the efforts made by Mr. Mehra's servants to remove trees, plants, etc., from the compound for which compensation had been awarded and paid by Government and also because the M. E. S. chowkidar who had been posted on the bungalow after action had been initiated to take possession of it, had been turned out of the compound by a servant of Mr. Mehra. On the 16th September, when the bungalow was again visited by the Land Acquisition Collector it was found that no action whatever had been taken by the owner to vacate it. At the request of the Military Estates Officer, Peshawar, acting on instructions received from the Inspecting Officer, Military Lands and Cantonments, Northern Command, the Land Acquisition Collector allowed a further 48 hours for the vacation of the bungalow. The 24th October was eventually fixed to enforce possession of the bungalow and the locks were forced and entry made into the bungalow on that date. Mr. Mehra then arrived and pleaded for a few more days to clear the furniture; this request also was allowed by the magistrate. The guard had already been removed to give Mr. Mehra every opportunity of vacating the bungalow which was left in the charge of the civil authorities. Mr. Mehra then proceeded to remove from the bungalow fittings that had already been paid for and further to delay matters. A further notice was then served on him that possession would be enforced on the 10th November. On that date the Land Acquisition Collector and a magistrate brought a lorry and coolies and prepared to remove the furniture and clear the bungalow, when Mr. Mehra appeared and after much delay cleared the bungalow and vacated the premises. Possession of the bungalow was finally obtained for Government on the 10th November.

2. The foregoing facts show that no action was taken by the military authorities to take possession of the bungalow but that the action was taken by the Land Acquisition Officer, that Mr. Mehra's mother was not turned out of the bungalow, that repeated extensions of time were allowed him to vacate and that the guard was posted merely for the protection of the property and, incidentally, also afforded protection to Mr. Mehra's property in the bungalow. Mr. Mehra had other houses in Peshawar to which he could easily have removed his furniture without undue hardship. Every opportunity was given him to make other arrangements and every consideration shown him by all concerned.

Mr. P. R. Rau (Financial Commissioner, Railways): Sir, I lay on the table:

- (i) the information promised in reply to starred question No. 572 asked by Mr. Muhammad Azhar Ali on the 4th September, 1933;

- (ii) the information promised in reply to starred question No. 741 asked by the late Mr. B. N. Misra on the 7th September, 1933;
- (iii) the information promised in reply to unstarred question No. 72 asked by Mr. S. G. Jog on the 13th September, 1933; and
- (iv) the information promised in reply to starred question No. 1017 asked by Mr. E. H. M. Bower on the 18th September, 1933.

EDUCATIONAL GRANTS GIVEN BY THE ROHILKUND AND KUMAON RAILWAY.

*572. The Agent, Rohilkund and Kumaon Railway, reports as follows :

"The expenditure figures for educational grant on the Rohilkund and Kumaon Railway for 1932-33 are as follows:—

	Rs.
European and Anglo-Indian	6,208
Indian	2,430

There are approximately 5,000 Indian employees of all descriptions and not 20,000 as stated.

It is totally untrue that only Members of the Educational Committee can get grants.

The children of Indian staff drawing Rs. 50 per month or less but excluding station staff who obtain free quarters, are eligible for "Aid" grants for attendance at recognised schools (excluding primary) and ranging from 50 per cent. to 80 per cent. of the school fees.

The children of all Indian staff without any restriction are eligible for "Scholarship" grants varying from 62½ per cent. to 80 per cent. of the tuition fees subject to their obtaining from 50 per cent. to 60 per cent. of marks in the examinations as certified by the School Authorities."

INEQUALITY IN THE DISTRIBUTION OF HIGHER POSTS IN THE RAILWAY CLEARING ACCOUNTS OFFICE.

*741. (a) and (b). The large number of upper grade posts held by the staff transferred from the North Western Railway is partly due to the fact that at the outset when the office was on an experimental footing, the staff was largely recruited from the North Western Railway Audit Office and consisted of picked men and partly due to the fact that the staff taken over from other railways was on comparatively low rates of pay and some of the railways did not also send their full quota of senior men. With a view, however, to remove certain anomalies, referred to in the question, the committee referred to by the Honourable Member recommended special consideration to be given—within limits—to the non North Western Railway men.

(c) and (e). Government have accepted the recommendation mentioned above and subject to the efficiency of the men concerned effect is being given to the same. Seven men belonging to railways other than the North Western Railway are at present under trial as officiating sub-heads and two as clerks class I.

(d) The figures of permanent sub-heads and clerks class I as on 1st April 1929 and 1st April, 1933 are given below :

—	North Western	East Indian.	Eastern Bengal.	Great Indian Penin- sula.	Bombay, Baroda and Central India.	Staff newly recruited or from other offices.	Total.
<i>Sub-heads.</i>							
On 1st April, 1929 .	31	13	1	11	6	4	66
On 1st April, 1933 .	36	9	1	9	4	7	66
<i>Clerks, Class I.</i>							
On 1st April, 1929 .	65	16	30	27	7	20	165
On 1st April, 1933 .	74	10	15	27	6	30	162

UNIFORMS SUPPLIED TO TRAVELLING TICKET EXAMINERS ON THE EAST INDIAN RAILWAY.

72. The Agent East Indian Railway reports as follows :

(a) The Travelling Ticket Examiners under the Watch and Ward Department have as a measure of economy and also on account of the temporary nature of their appointments been supplied with white drill uniforms, the cost of which is about 50 per cent. less than the grey summer cloth used for the Travelling Ticket Examiners uniforms. The surplus of 8,000 yards of grey gaberdine was used up during 1932 for the manufacture of garments for permanent Travelling Ticket Examiners.

(b) A further quantity of grey gaberdine was purchased in November, 1932, to meet requirements during 1933 and was issued to Contractors for the making up of uniforms.

SENIORITY LIST MAINTAINED ON THE EAST INDIAN RAILWAY.

*1617. (a) to (c). The Agent, East Indian Railway reports that in the case of Senior Subordinates, promotions in different Departments are generally made from amongst the staff of the Department concerned on the entire railway. In the case of Engineering Department, inspecting staff however, separate seniority lists are maintained for the old Oudh and Rohilkhand and old East Indian Railway men and the vacancies caused by normal wastage of the former are filled by the promotion of Oudh and Rohilkhand Railway men except in the lowest grades which are normally filled by direct recruitment.

In the Mechanical Department and in the case of Senior Subordinates appointed in the Headquarters office of the Commercial Department promotions are made locally and are confined to the staff of the Workshop Division, District or the office in which the vacancy occurs. This also applies to staff of other Departments other than Senior Subordinates attached to divisions.

THE INDIAN TARIFF (SECOND AMENDMENT) BILL.

The Honourable Sir George Schuster (Finance Member): Sir, I beg to move:

"That the Bill further to amend the Indian Tariff Act, 1894, the Indian Finance Act, 1931, and the Sea Customs Act, 1878, for certain purposes, as reported by the Select Committee, be taken into consideration."

[*Sir George Schuster.*]

Sir, as the House is aware, this is a somewhat complicated technical measure and I think we have all derived great advantage from its discussion in the Select Committee, and further we have gained advantage in seeing from the amendments that have been tabled, the sort of points which are exercising the minds of Honourable Members. There are certain main points which I think to some extent have been worrying Honourable Members who, generally speaking, I think, I may say, are anxious to support us in closing up the very serious gap in our Customs tariff. The points which are worrying them are these, and I hope I shall state them fairly and correctly. In the first place, they desire to be satisfied that the test to be applied will not be such as to bring under the burden of the higher duty oils which as illuminants are substantially inferior to Burma red kerosene. We in the Select Committee have made it clear that we are trying to devise a test which will meet this point, that is to say, we are trying to devise a test which will not have the effect of subjecting to the higher duty oil which, for purposes of burning in lamps, is substantially inferior to Burma red kerosene.

Mr. B. V. Jadhav (Bombay Central Division: Non-Muhammadian Rural): The Honourable Member said substantially inferior. What is the test of substantiality?

The Honourable Sir George Schuster: I must leave my Honourable friend to judge about that. I will put it in another way, that we wish our test to correspond approximately to the test of Burma red kerosene. I have to use the word approximately, because, I have to guard myself. We cannot be exact in these matters and I do not wish to suggest to the House that we want to bind ourselves to apply exactly the same test. The test may fall slightly below the test for Burma red kerosene, but what we are aiming at is to provide a test which is approximately equivalent to the test result which will be given by the Burma red kerosene. That is our position. We have devised a certain height of flame in this test lamp, but we recognise that this is a matter which must be carefully watched and we must make our rules as guided by our experience. But, on that point, I think our object is substantially the same as the object of Honourable Members who examined this Bill.

Then, the second point is that Honourable Members desire to be satisfied that, in case of any real hardship and any really prejudicial result to those who use oil in engines, we will take measures to redress it. There, again, I gave assurances on behalf of Government in the Select Committee and I would remind Honourable Members of a certain passage in the Select Committee's report which runs as follows:

"We have been further assured that Government will carefully watch the situation with the object of checking whether developments are such as to indicate that genuine users of diesel oil for power purposes are being placed at an appreciable disadvantage by the operation of the Bill, and that if it were established that any substantial prejudice results to those requiring diesel oil for industrial or agricultural purposes, Government will consider it obligatory upon them to take steps to redress this result."

That, again, is our position on that point. We will watch the position and we hope, in fact we feel confident, that prejudicial results will not be felt and that we shall not be forced to the expedient of granting refunds of duty in respect of oil of this particular nature which is actually used in engines. In any case,—and this is the point that I want to make,—in

any case, no legislation is necessary in order to cover this idea of giving refunds, because we already have power, under section 23 of the Sea Customs Act, to give refunds if refunds are necessary.

Mr. M. Maswood Ahmad (Paima and Chota Nagpur cum Orissa: Muham-madan): What about the consumers? How will they get refunds?

The Honourable Sir George Schuster: If my Honourable friend reaches the stage of moving his amendments, I shall have to point out that there will be difficulty in working the machinery which I think my Honourable friend has in mind. I want to make our position clear on this point. It will not be possible to devise machinery for granting refunds except in consultation and agreement with Provincial Governments and we have not yet been able to undertake any such consultation, because we feel that, until this measure is in operation, we shall not know what really is required. Moreover, until we knew whether the House was going to pass this measure, we could not really approach the Provincial Governments and get down to discussing things in practical detail at all.

Then, I think, the third point is,—and that is a point which is embodied in my Honourable friend, Mr. Lalchand Navabhai's amendment, —that admitting that this gas oil which is now being imported and used as an illuminant ought to be taxed as an illuminant it will be a very inferior illuminant, very inferior to the superior grade of white kerosene which now pays a duty of three annas and nine pies a gallon. My Honourable friend, I think, has in mind that as most of the inferior kerosene which is now used in India is actually produced in India and, therefore, only pays an excise duty, this imported gas oil which corresponds to inferior kerosene will be very heavily penalised; and he, therefore, argues that there should be a lower rate of import duty for this gas oil. As to that I should like to say before the discussion goes any further that that raises points which we do not feel can be dealt with in connection with the present measure. Even if there were anything in the idea that we ought now to make a distinction in our duties between high grade kerosene and inferior kerosene, we are not ready to make that distinction now. It would require several weeks of very careful work in order to devise a test or in order to be sure at what point the line can, for practical purposes, be drawn by the Customs authorities; and we do not think that this is a point which ought to be taken up in connection with the present measure.

The fourth point which is raised in the amendments is that there ought to be some refunds for importers in respect of oil imported after the passage of this measure, if it is imported under contracts entered into before the measure. There, again, I should like to make our position clear at this stage. We do not feel that we could agree to that. In all cases of increases of Customs duties, it is possible that importers, who have entered into contracts before the increase is made, may be prejudiced; but we cannot take account of that and it would be creating a very undesirable precedent if, in this particular case, we were to do so. Our view is that this is only an increase in an existing duty, that those who imported this oil must have been fully aware of the fact that, owing to its qualities as an illuminant, they were,—though they may not have desired to do so,—they were in practice getting into a position of taking advantage of a gap in the Customs tariff. They must have been fully conscious of the risk that this gap might be at any time filled up; and from all the evidence which has come before us in the shape of protests and representations of the interests of these oil companies, I think it is fair to conclude that they have had a pretty good

[Sir George Schuster.]

idea of the probability of Government introducing a measure of this kind for a considerable period of time. Accordingly, we do not feel that any substantial injustice would be done by refusing to allow special refunds after the passing of the present measure.

Sir, these seem to me to be the main points and the points which I think are of the most material importance are the first two which I mentioned namely, the desire to be satisfied that the test will be fairly applied and will not bring in a class of oil which is very inferior and really substantially unsuitable for use as an illuminant; and the desire to be satisfied that Government will watch the situation and take measures to redress any serious damage which might be done to agricultural and industrial users of this kind of oil. On both these points, Sir, I have already said that we must be guided by experience and, if it would create confidence in the minds of Honourable Members and possibly do something to hasten the attaining of agreement on this subject, I have a suggestion to make. My suggestion is that this House might appoint a small Committee to examine the working of this measure. We on our part would be prepared to put every information which comes into our hands before that Committee. We would be very pleased to let them examine for themselves the working of the test which we propose and they, on their side, of course, will be able through that means to represent to us any complaints which may come to them from persons who feel that they have been prejudicially affected by this measure. It is perhaps rather a novel proposal to suggest that there should be a Committee of this kind; but we have a certain precedent for it in the Salt Committee which was set up in this Assembly. What I feel is that if we could get this measure passed now, then we shall have several weeks before the House assembles again and, certainly, in the course of the next Session, we ought to be able to see pretty clearly how this measure is working. Therefore, there would be, if this Committee is set up, ample opportunity for Honourable Members who are interested in the matter to see how the thing is going and to make representations to Government if they think that it is not working properly. I think that perhaps in view of the fact that we have got to proceed rather by trial and error in this matter, the procedure which I propose might help Honourable Members opposite.

That, I think, is all I have to say at the present stage. I would only like, before I sit down, to express to the House our own regret that it should have been necessary to interrupt other business in order to take up this measure, and to repeat what I said, when I first introduced it, that we should not have thought of coming before this House in this special Session with a measure of this kind if there had not been a very serious and practical danger of a substantial loss of revenue which had to be dealt with quickly. Sir, I move.

Mr. President (The Honourable Sir Shammukham Chetty): Motion moved:

"That the Bill further to amend the Indian Tariff Act, 1894, the Indian Finance Act, 1931, and the Sea Customs Act, 1878, for certain purposes, as reported by the Select Committee, be taken into consideration."

Mr. Lalchand Navalrai (Sind: Non-Muhammadan Rural): Sir, in connection with this legislation, at the time when this Bill was going to the Select Committee, I presented certain facts to the House. Since then I had the honour to be on the Select Committee and I must acknowledge that this question was thoroughly considered in all its bearing with

all the difficulties and all the improvements that it required being before them. As has been said today by the Honourable the Finance Member, there are certain points which require experience to find out whether those difficulties are really substantial and what remedies they should receive. At present, even at the risk of repeating some of the facts that I stated the other day, but without taking up much of the time of the House, I will put a few facts at first to show what is actually required and what is being promised, and what my amendment requires.

To begin with, I must bring to the notice of the House that there are several kinds of kerosene in existence in India. One I will call pure kerosene—white kerosene—as we all know and it is not necessary to exhibit it in the House. It is superior oil on which the Government levy an import duty of 3a. 9p. per gallon. Then there is another kind of oil which is called red kerosene. This red kerosene is a product from Burma and, on that ground, it is being charged an excise duty: the excise duty that is being charged on this Burma oil or red kerosene is 2a. 9½p.—lesser than the real or white kerosene. Then, there is the third kind of oil which can be sub-divided into two categories: one is called diesel oil, and the other is called light diesel oil. There is no question with regard to the diesel oil itself, because that diesel oil is being charged now at 7½ pies per gallon though it was formerly charged at 4 pies. That duty has been raised and that was the subject of an appeal to the Central Board, and they have given their decision that it should be charged now, not on the cost price, but on the selling price. That does not concern us at present as it is a matter of an executive nature which would be decided between the importers and the Central Board. The main question to be considered by the House now is with regard to the light diesel oil or what I may henceforth call gas oil. The question that arose was whether that gas oil has got the power of illuminance, whether it could burn in the lamps and whether, therefore, it should not be charged as much duty as white or red kerosene, since it is one of the species of kerosene. On that ground, the Bill was introduced into this House to consider whether this gas oil is being extensively used for burning purposes, and since it is being used also for machinery, whether the consumer will be affected thereby if the assessment is increased. These were the questions that were considered in the Select Committee; and before I go on to say how far the Government want to go and how far they are willing to yield, I would like to show the House samples of the various kinds of oil. Many might have seen the red kerosene from Burma, but I will show the samples in the House. This (showing a sample) is the red kerosene which is charged excise duty

The Honourable Sir George Schuster: My Honourable friend says, that is charged excise duty, but inferior kerosene is also imported into India and then it pays the full import duty.

Mr. Lalchand Navalrai: I do understand that that is so: I raised the question in the Select Committee with regard to Burma red oil and the representative of the Burma oil was actually examined: I am shewing that and I will then show the equity in charging other kinds of oil with the same rate of duty as this. Now, as to the gas oil, I admit, it has got some illuminant power—I do not deny that; but, the question is, how much power or capacity of burning it has got? It is stated that there is a lamp test, to which I will refer later: but at present I will show

[*Mr. Lalchand Navalrai.*]

two gas oil samples. Here is the gas oil (shows sample) and its colour will show clearly that it is blacker than the red oil exhibited and this is being imported by Messrs Mill Stores and Company. Then here is another gas oil (shows sample) and Members will see that it is distinct being darker still. It is the commodity supplied by the National Petrol Company. The first question that arises with regard to this is this: if any duty is increased on these two kinds of gas oils, is it likely or not that the poor consumer who is not able to purchase this one (shows red kerosene), but is able to purchase these (gas oils) will be affected? I will tell you what is the price of these various kinds and you will then be able to see how the poor man will be harmed. This (the red kerosene) sells at ten annas per gallon, while these two (gas oils) sell at about eight annas per gallon. The poor man does not look so much to the quality or efficiency of the oil. He will manage even if there is smoke in it, he will manage even if the flame diminishes, and he will manage with this simply because of its low price, and, therefore, he purchases it. Now, Sir, the position that arises is this. If the duty is increased in the manner proposed, the price of this gas oil will perforce be increased. The duty proposed is Rs. 0-3-9 per gallon—what will be the condition of the poor man? The price will be raised by at least Rs. 0-2-0, and then the price will be Rs. 0-10-0, and no poor man will purchase that dear oil. No one will go in for it on account of its black colour also. Therefore, this increase will mean the annihilation of the gas oil trade imported by Indian Companies. Sir, it must be remembered that the Indian Companies who have started this line of business are still in their infancy, and, if the proposed duty is imposed, I am afraid they will be ruined very soon

Sir Cowasji Jehangir (Bombay City: Non-Muhammadian Urban): Do you admit that the darkish colour oil is used in lumps?

Mr. Lalchand Navalrai: Certainly; I shall make the position more clear to the Honourable Member. I do say, there is no justice in putting such a high duty as Rs. 0-3-9 on a commodity inferior as this, and, as I say, there are two kinds of oil in competition in the market, and the poor people use the cheaper kind of the gas oil. Certainly, you are not going to take away the custom of those importers who generally import cheaper varieties of oil to meet the needs of the poor people

Mr. Gaya Prasad Singh (Muzaffarpur *cum* Champaran: Non-Muhammadian): Do I understand the Honourable Member to say that the darkish colour oil is very extensively used by the poor people?

Mr. Lalchand Navalrai: I will explain that too. We had examined witnesses on this question, and Government could not say how much of lighter diesel oil, *viz.*, gas oil, and how much of thicker diesel oil was being sold. The difficulty is this. I go to the bazar and purchase some oil telling the seller that I require it for my engine, but when I come home, I change my mind and I use it for burning my lamp. How can the importer tell that he has sold so much of the lighter variety of diesel oil and so much of the thicker diesel oil? It is very difficult for him to say

that. Therefore, it has not been possible even for the Government to get correct figures about this.

Now, let us consider how this question can be solved. It is, of course, a difficult matter, as has been put by the Finance Member. Government can certainly help us in three matters. Justice requires that just treatment should be given to those who will be most affected by this assessment of the additional duty. The first question is with regard to the help to the customer, and with regard to that what we have said in the Select Committee report is this:

"It was suggested that the imposition of the high rate of duty on this light diesel oil, because of its capacity for use as an illuminant, might operate to raise the price to the consumer of oil genuinely intended and solely used for fuel purposes. Oil is used to a considerable extent in small engines employed in connection with agricultural operations, and we would deprecate anything having the effect of enhancing the cost of fuel oil to people using it for industrial or agricultural purposes."

The Finance Member has raised certain difficulties and has said that he wants to gain experience or rather the Department wants to gain some experience on the point involved. With regard to this, I must give him credit for showing fairness not only in the Select Committee but even in this House today for considering this question in an equitable manner. He suggests that a Committee of this House should be appointed to go into this question or to watch the position in the same way as the Salt Committee does for salt. Personally I think such a Committee will be very useful, and I am in cordial agreement with that proposal.

There is another point, Sir. It is admitted that it will certainly not be fair that the same rate of duty should be charged for both the superior and inferior qualities of oil. Government recognise that, but the point is how will you be able to find out the difference in the qualities of the oil. Now, the oils that are imported are put to a test in the Customs House where it is discovered which is superior and which is inferior oil, but there has recently been some discrepancy in the tests held in these oils. I have, however, two cases in my hand, and one of them relates to a test conducted by the Bombay Customs House, and it says for how many hours this gas oil will burn and what will be its capacity. After the Select Committee met, certain other tests were made by the Calcutta Customs House or by some laboratory in Calcutta, and I have got those papers also with me,—but I don't think I need place all those papers before the House,—and these tests show that these gas oils are inferior to the red kerosene. So far the test made by the importers is there, and I shall be happy to send on the reports of these tests to the Central Board. There, again, they have some difficulty. They said that those tests were made by merely putting some oil in small lamps, that such tests were not satisfactory, and only scientific tests should be made. What did they do? They sent for a small lamp, with some sort of scientific apparatus attached to it. This lamp was brought before the Select Committee, but no demonstration was given. It was stated that no demonstration could be given unless the test was made in a laboratory, but there arose that difficulty and it has remained till now, and it is this. There is no confidence yet in the minds of the importers that this test is the better test or that this test will be impartial. Then the question is, how to make a proper test. I must say that this test is not a new test, I mean the scientific test which has been proposed to us, because we are told by Government that this is a test made in England and is in use in

[Mr. Lalchand Navalrai.]

England. Therefore, we have to take it that that test is a good test. But the point is that the confidence of the importers must be secured. I do not know who were present at the time the basic test was made. The point is that if this basic test is not done at once and a minimum is laid down, then this gas oil will have to pay more duty as soon as this Bill is passed, and the importers will suffer a great deal. The only other course is that the test should be made either in the presence of some of the representatives of the importers or the members of the Committee which is being proposed to be formed.

I come now to the question which is covered by my amendment. I have now given the history before the House and I must complete it by giving my views on that amendment, so that, when it is separately moved, I will not take much time, but will only place the amendment before the House. On that amendment, I am very, very strong, and I feel that justice must be done to these importers. At present, pure kerosene is being charged at 3*a*. 9*p*. per gallon, and, according to the present Bill, you will find clause 2, 40B deals with oil which is not pure kerosene oil. The clause says:

"Mineral oil, not included in Item No. 40 or Item No. 40A, which is suitable for use as an illuminant in wick lamps."

The fourth column says: "Two annas and three pies". You get this two annas and three pies as the ordinary duty. Clause 3 raises another duty, a surcharge duty, of nine pies per imperial gallon. This makes three annas, but there is still a second surcharge duty on it which is nine pies, and that brings it to three annas and nine pies. In the first place, I would ask the Finance Member, when no difference in duty is going to be made between pure kerosene and this kind of oil, why are you going to pass this Bill? Item 40 also charges three annas and nine pies, and this also will be charged three annas and nine pies. Then, where is the necessity of putting in 40B? I want the House to consider whether it is just and equitable that these two kinds of oil should be charged the same duty. I have shown you the colour of the oil. Again, tests have been made at the Customs Houses in Karachi and Calcutta which show that when you burn this red kerosene and also the gas oil, in the case of gas oil it is more smoky. You will also see that the flame is not steady.

The Honourable Sir George Schuster: My Honourable friend has referred several times to these tests. I do not know what tests he has in mind, but I must inform the House that no scientific tests had been made and the scientific test will only be made with this lamp. If my Honourable friend is correct and if that very nasty looking brown oil which he held up to us is substantially inferior to the yellow oil or red oil which he also held up, then the brown oil will not be subject to this duty.

Mr. Lalchand Navalrai: What will be the duty then?

The Honourable Sir George Schuster: It will come in under one of the other clauses.

Mr. Lalchand Navalrai: The only clauses that we have in the Tariff Act and this Bill are 40, and 40B. The others are not burning oils. That is the difficulty.

An Honourable Member: It will come under 75.

Mr. Lalchand Navalrai: It may not. I will withdraw my amendment if a promise is given that the oil . . .

Mr. President (The Honourable Sir Shammukham Chetty): The Chair thinks the Honourable Member will do well to take up this point when his amendment is reached, and then attention will be more concentrated on that.

Mr. Lalchand Navalrai: In that case, I have put my points before the House, and I ask this House to be just and equitable. With these words, I close my speech.

Mr. R. S. Sarma (Nominated Non-Official): Mr. President, I think there will be general agreement with the apprehensions brought to our notice by Mr. Lalchand Navalrai. I think, after the most reasonable and conciliatory manner in which the Finance Member tried to meet the exigencies of the situation from the point of view of the Government and the difficulties of the importer in this matter, this House should accept this Bill in the manner it was sought to be modified, with the assurances given on the floor of the House and also in the Select Committee. There are three parties affected by this Bill. First is the Government who, by this lacuna in the Tariff Act, lost considerable revenue according to their view, secondly, the Burma Shell people who were under a disadvantage in their trade by an unfair competition according to their view; and, thirdly, the importers and the consumers who are likely to be penalised in the use of diesel oil by this oil coming under this Act. The Select Committee went into this matter and I think that there was general agreement that the Bill should be passed with the assurances that were given.

Mr. K. P. Thampan (West Coast and Nilgiris: Non-Muhammadian Rural): No, no. There was no agreement like that.

Mr. R. S. Sarma: I understood that the assurances given by the Finance Member in the Select Committee were found to be satisfactory not only by the members of the Select Committee, but also by the trading interests, e.g., the National Import Company people who were also examined and had expressed consent.

Mr. K. P. Thampan: No; they did not.

Mr. R. S. Sarma: Nobody wants that this oil should be imported into this country free of duty by backdoor, and, at the same time, there is a fear that the diesel oil which is used by *bonâ fide* people for the purpose of burning should not come under this, and that the test should be fair. On these two matters, the Finance Member has assured this House that the members of the Select Committee or any other Committee who have been able to go into this matter will be allowed an opportunity to examine in the beginning stages of the operation of this Act, and if any abuses are brought to his notice he would be the first man to rectify them. I think that is a fair assurance, and I think my Honourable friends, Mr. S. C. Mitra and Dr. Ziauddin Ahmad, than whom there cannot be better

[Mr. R. S. Sarma.]

advocates of the consumers or even of this trade,—I think they are also in agreement with me on this matter. I submit that the assurances of the Finance Member should be taken and this Bill passed.

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): After the very exhaustive speech of my friend, Mr.

12 Noon. Lalchand Navalrai, it is still necessary to clear up the issues to a certain extent. It is a fact that in India kerosene is taxed at a higher level of duty than machine oil. There is some import of oils from other countries imported by Indians. Now, the Government's case is that those imported oils come under the head "kerosene" and so are subject to a higher scale of duty, while the importers' case is that this is really machine oil which should be subjected to a lower rate of duty and that they bring it for use in the machines and they sell it for that purpose, though they admit that ten per cent of this oil may be used for illuminating purposes. Neither it is a fact, as my friend, Mr. Lalchand Navalrai, puts it, that they never agreed that a large quantity is used for illuminating purposes.

Mr. Lalchand Navalrai: I never said "very large".

Mr. S. C. Mitra: According to Government's case they are not pressing before this House for a new taxation. What they want is that there has been a lacuna in the Act itself by which a large quantity of this oil, which is really used as kerosene, should not evade the duty. These are the issues on which there is no difference of opinion amongst the Members of this House. We have put our apprehensions very clearly before the Honourable the Finance Member and I am very glad that he has explained our case very fairly. We received several letters about the test that will be employed and whether any differentiation will be made, and I should like to read a letter from somebody in Burma, where the suspicion has been very clearly expressed. I shall read the letter. It is from Mr. V. N. Gore, B.A., B.L., 505, Prince Road, Kemayut, Rangoon. He writes:

"I do not want to criticize the arguments which are already put forward, but I think however that it is still a little surprising to find that the standard lamp so much talked of is not a creation of Government. It was evolved in Rangoon by the British oil interests in Burma. The object is to lay down a test which will bring light diesel oil under the category of kerosene. The object of illumination test does not bear any resemblance to the light test which is followed in the oil and petrol Amendment. It is surprising that the Government should take initiative of the representatives of the British interests in Burma. These had been posted at Simla or Delhi for months past for trying to achieve what they failed to get in 1922."

There are similar allegations though nothing is proved. There was suspicion that the test may not be fair, and the Honourable the Finance Member very fairly agreed that there should be a Committee of this House who should also see to this. In the Select Committee also a standard lamp was brought in, but there was no chance to test it by actually burning the oil. So, I think, if this position is now accepted by the House that as regards the test there should be further examination and that no foul play would be done, then, on principle, there cannot be any objection. It was all agreed that kerosene should have a higher scale of taxation. As regards the other point that has been raised by my

friend, Mr. Navalrai, whether an inferior kind of kerosene should be taxed at a lower rate, I agree with him that this is a very sound proposition, but we certainly cannot raise that point here on this issue. We have also, in our dissentient note, put that case, but I think we cannot raise that question in this connection. Under such circumstances, I support the motion for taking this Bill into consideration.

Mr. B. V. Jadhav: Sir, I support the motion moved by the Honourable the Finance Member and I think very few will oppose the proposition that imported diesel oil which is used for illuminating purposes should be taxed as other oil produced in India which is paying an excise duty. Light diesel oil has been already imported in India as an oil for running oil engines, but, if it is capable of giving illumination and of being used in lamps for that purpose, then there is no reason why it should not be taxed as an illuminant oil. But, up to this time, Burma has been enjoying almost a monopoly of supplying kerosene oil and petrol and other oils to India. Lately the prices of all commodities have fallen; but, strange to say, the prices of oil have not fallen. They are maintained at the old level and that shows what a huge profit the Burma combine must have been making. In order to break this monopoly, certain Indian companies have been importing oil from Roumania and from other oil producing countries. They have been importing oil as petroleum and that petroleum is taxed by Government. They have been also importing oil, diesel oil or light diesel for the purpose of being used in engines and Government have been taking the import duty on that as on ordinary diesel oil. Now, the question is, whether the light diesel oil that is being imported is giving such light as the red petroleum which is imported by the Burma Oil Company. If it is, of course there can be no objection for the Government levying the full duty. If it is not giving that degree of illumination or if it is very inferior in quality, there is no reason why Government should levy a high import duty on it, according to the rates for illuminating oil. The Honourable the Finance Member has given an assurance that if there is a substantial difference in the illuminating power, then this light diesel oil will not be taxed as petroleum. I accept that assurance. But I am sorry to say that the expression "substantial" is rather vague and very difficult to work. I shall ask the Honourable the Finance Member, first of all, to determine the illuminating power of the red Burma oil. That must first be fixed, so that it will be the standard, and if the illuminating power of the light diesel oil falls by about, say, ten per cent. or five per cent. or any stated proportion, then that has to be exempt from the higher duty. May I ask the Honourable the Finance Member whether the illuminating power of the standard oil which he showed us the other day has been determined. I would like to have a reply to that question. May I ask the Finance Member whether the illuminating power of the red Burma oil has been determined by Government?

Sardar Sant Singh (West Punjab: Sikh): Here is the reply which I received from the Government:

"The tests which our chemists carried out for the purpose of this Bill were devoted to ascertaining a flame-height limit above which reasonable service in a hurricane lantern could be secured, and the illuminating capacity of indigenous oils was not then in issue. . . . In consequence very few of the large range of samples actually tested were samples of inferior indigenous kerosene. We have thus not carried out any

[Sardar Sant Singh.]

special tests of these oils, but such samples as were tested showed flame-heights only slightly above the 10 mm. limit which we propose to fix. It is, of course, always open to us to alter the limit if we find that it penalises genuine fuel oils not capable of reasonable use as illuminants."

The Honourable Sir George Schuster: Perhaps I might tell my Honourable friend all I can about the position. I made it quite clear when speaking that we have not yet worked out what we would regard as the final test. We have worked out the test on which we would start, but we cannot say that we have worked out the test for all qualities of Burma red oil. That has not been completed yet. My Honourable friend asked whether I could give any definition of "substantial variation". What I might say to him now—and I may be able to make it much more precise in the future, and that is why I suggested the idea of a Committee—what we have now in mind is that in any case it should not be more than 15 per cent. variation,—the difference, that is to say, between the typical Burma red kerosene and anything which could be brought in under this provision should not be more than fifteen per cent.

Mr. B. V. Jadhav: Fifteen per cent. of what?

The Honourable Sir George Schuster: Fifteen per cent. of the illuminating capacity as tested.

Mr. B. V. Jadhav: So, if the illuminating capacity of the red Burma oil is to be taken as 100, then it should not go above 85?

The Honourable Sir George Schuster: That is the margin of variation which I should like to preserve, but I am deliberately keeping it large, because I do not want to commit Government any further at the present stage. But the position is, as I have stated, that what we are really intending to do is to create a test which will bring in oils of approximately the same illuminating capacity as the Burma red kerosene.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair is bound to observe that it is a great pity that all these technical points were not made clear in the Select Committee. The Chair finds that Honourable Members of the Select Committee are themselves raising such points on the floor of the House.

Mr. B. V. Jadhav: We are very sorry, but we were rather hurried up. The order of the House was to return the report within a week. The Bill was referred to Select Committee on Friday and on Saturday we met and the next meeting we had was within four or five days to sign the report. There was no time allowed. The standard lamp was brought there before us. It was simply shown to us, but we were not allowed to see how it worked and whether there was any test at all. We thought Government had made all these tests in their laboratories and would give us the results, but even now they are not in a position to give us the results. So Government have brought in this Bill without making proper inquiries. Government themselves do not know what is the illuminating power of the red Burma oil, nor do they know what is the illuminating power of the light diesel oil that is sought to be taxed now. I think, in this case, the Bill ought to be kept over until Government are in a position to satisfy the

House that the operation of this Bill will be equitable and just. They are not in a position to place before us any facts. They do not tell us what the illuminating power of the red Burma oil is. They are not in a position to say what the power of a particular sample of light diesel oil is, and, in such circumstances, they are simply hurrying this House to pass a legislation which may be worked according to the sweet will of Government and which may kill this foreign competition which is threatening the Burma Oil Company. Sir, I have to urge before you that, in the absence of competition, this Burma Oil Company is simply profiteering and looting the country. We know that the price of petrol per gallon is much higher here in India than in England or other countries. In India they are charging a very excessive price for petrol although Burma is next door to us and the carriage from Burma of petrol is not as costly as the carriage of Burma petrol to England. They, being in the position of monopolists, are charging us very heavy prices. One Company in Bombay, which lately imported petrol from Russia, opened stores and shops at certain places and, wherever these shops have been established, the price of petrol has been substantially reduced. But as soon as the stocks are over or are not available, the very day the original price is reverted to

The Honourable Sir George Schuster: May I remind my Honourable friend that this Bill is not a measure for the protection of the Burma Oil Company, but for the protection of the Government of India's revenues.

Mr. B. V. Jadhav: What I mean to say is that its operation is likely to secure a position for the Burma Oil Company as monopolists and, therefore, this House and Government ought to be very careful as to what their action may result in. We have been suffering from this monopolist business in the case of oil, petrol, and diesel oil also. As long as there was no competition from the foreign diesel oils, so long the Burma oil combine have been charging very heavy prices and profiteering. Now, there is competition—not a very serious one though—and, therefore, they have to lower down their prices by which the poor agriculturists and the other small manufacturers have been benefited to a certain extent. Now, if this light diesel oil began to be taxed according to the petroleum scale, then the National Company and other Companies cannot be in a position to carry on this competition and, therefore, the Burma Oil Company will have perhaps the field clear for them for raising the price of even the diesel oil which is usable as an illuminant and is used in engines. Therefore, we have to be very careful when we allow Government to tax this oil. So what I claim is this, that there should be a proper test of the illuminating power of the red Burma oil, and then the same test should be applied to the light diesel oil which is being imported and which it is said is used for illuminating purposes. If it comes very near to that illuminating point, then, of course we have no objection that it should be taxed; but if it does not, then it should not be taxed. For that purpose as a sop to us the Honourable the Finance Member has proposed to appoint a Committee. This is a very good way of lulling or rocking us to sleep. When a Committee is appointed, the members of the Committee are very jolly and they are the supporters of Government in every case and, therefore, this idea of appointing a Committee is flung in our face as a sort of inducement. Of course, in such a case as this, the Committee will be very useful no doubt and if the members of the Committee are allowed to scrutinise at close quarters how the Act is being worked in the Customs Houses at different ports, then there will be something and in that case they will see whether the

[Mr. B. V. Jadhav.]

tests are properly applied or not. But if the Committee is to meet once or twice a year in the cool climate of Simla or in Delhi during the season, there is no use of such a Committee.

Mr. Lalchand Navalrai: Let them come to Karachi.

Mr. B. V. Jadhav: The question of salt duty is different. Salt is manufactured in many places and also imported from many places and, at the same time, we are also interested in the development of salt works at Khewara. Therefore, a Salt Committee sitting in Delhi or in Simla is of much use. But this Committee, if it meets only in Delhi or Simla, will not be of much use, because the Act will be in operation at the ports and the members of the Committee will not be in a position to see how the Act is being worked there. Therefore, it is quite necessary that the members of the Committee, either one or all, should be allowed to examine the working of the Act at the various ports where diesel oil in bulk is imported. Sir, I have placed before the House the difficulties I feel and I hope the House will give full consideration to them. After hearing from the Honourable the Finance Member that he is not in a position to say what the illuminating power of Burma oil and other oil is, what I feel is that the Bill has been rather prematurely brought forward.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, I do not like to waste the time of the House and go into details, but I should like just to draw the attention of the House to one or two salient points. In the first place, I do not agree that this Bill is a measure by means of which the revenue of the Government would increase. On the other hand, I think the revenue would diminish. If you increase the duty from Rs. 0-0-9 immediately to Rs. 0-3-9, what would happen? Certainly that particular trade would stop and this type of diesel oil will not come at all. Therefore, whatever amount we are getting now from this particular item, we will not get in future. I have before me a telegram saying that this raising of the duty will result in the stoppage of imports, thereby inflicting innumerable loss to Government comparatively. The first point I wish to make out is that in this particular case by raising the duty from Rs. 0-0-9 to Rs. 0-3-9, the law of diminishing returns will apply and apply so heavily that the income will be reduced to zero. The second point I should like to make out is that we have got only one word "kerosene" for illuminating oils, and the test is whether it is suitable for use as an illuminant in wick lamps. There are degrees of illuminants, the question is not whether it can be used as illuminants, but the question is what are the illuminating capacities and this is the thing which we ought to consider. In this case, I find, as other Honourable Members have pointed out, that so far no action has been taken by Government in this matter, and probably this is the first time that they have now realised the importance of the thing, and I hope they will work out a scheme.

The Honourable Sir George Schuster: What does my Honourable friend mean when he says that no action has been taken by the Government in this matter?

Dr. Ziauddin Ahmad: I will just explain and, I am sure, that the Government will appreciate it. Taking the case of kerosene, unfortunately there is only one English word "kerosene" for all varieties of oils that are

used for burning purposes under that head. There is the superior quality of oil which can be used in very good lamps, there is the inferior kind of kerosene used in village lamps and all of them are called kerosene oil and the same duty is imposed upon them. It is unfair that kerosene oils, which have been divided into different grades, should all have been subject to the same duty instead of varying rates of duties. The important question that we ought to consider now and in the future is not whether these diesel oils can burn, but we should find out what is the burning capacity of these oils. We ought to consider this in this particular case. As regards diesel oil, I have got a certified copy of the letter sent by Mr. Reilly of the Chief Import Preventive Service and also by Mr. Subramaniam, Assistant Chemical Examiner, Karachi Customs House. They say that the burning power of this thing would be about 60 per cent. that of the inferior kerosene, and further on, it says that the oil is not kerosene of even an inferior kind of variety, but that it has distinct possibilities of being used as cheap illuminant. If we raise the duty from Rs. 0-0-9 to Rs. 0-3-9, is it not fair that we should investigate whether the burning capacity of the diesel oil, on which we paid nine pies, is the same as the burning capacity of kerosene which pays a duty of Rs. 0-3-9? The other point which is not very clear is what percentage of the diesel oil imported into this country is used for illuminating purposes? We were told that 90 per cent. was used for burning purposes, while some others said 10 per cent. There is no data for us to find out what percentage of diesel oil is really used for illuminating purposes. If the figure of ten per cent. is correct, by charging a higher duty on 10 per cent. we are definitely harming the 90 per cent. diesel oil which is used for machines and, in that case, the cost of fuel for running the machines will be increased by levying this special duty on it. It is not within the province of this particular Bill, but I take this opportunity to draw the attention of the Honorable the Finance Member—I will discuss it in detail during the Budget discussion—to the differentiation between the excise duty and the import duty. This differentiation might be justified when a particular trade is in its infancy, but it is not correct when it is a profiteering concern and we ought now to put everything on the same level. But this cannot be considered now.

The other point which we have not sufficiently considered is the condition of the poor people. We, in this House, hardly realise the poverty of the villagers in India. Go to any village and you will find the whole village is in darkness having no lamp, simply because the villagers cannot afford to pay the price of kerosene. They burn one wick just for a few minutes in order to have their meals and soon after they let it go and save a little oil. The condition of the poor is so wretched that even the raising of the duty by one pie will seriously affect them and these poor people will have to forgo the light even at the time of their meals. This is a very important consideration which we should not overlook. I saw a test lamp though not burning and I had seen similar lamps in use and I can easily understand that we can test with that lamp two things easily. We can test the height of the wick and we can also test how long it can burn, that is the burning capacity in terms of time. If the Finance Department would initiate to carry on certain experiments, I am sure, it would be possible to divide these illuminants into different grades and then charge different duties according to the illuminating capacity and not treat them alike. We should not treat all illuminants alike:

"Takke ser bhaji, Takke ser khaja."

Mr. F. E. James (Madras: European): Sir, I only want to say one or two words with reference to the Select Committee. Of course I feel that, as a member of the Select Committee, we should defend ourselves against some of the charges which were levelled against us by my Honourable friend, Mr. Jadhav.

Dr. Ziauddin Ahmad: Are you a shareholder of the Burma Oil Company yourself?

Mr. F. E. James: No, I am not, and I am glad to say that I hold no shares whatever in any oil company at all. I look entirely at this matter from the point of view which was stressed from the beginning to the end in the Select Committee. The issue in the Bill is a very simple one. It appeared that there has been a lacuna in the defence of the Government of India against the import in certain categories of certain classes of oils, and the sole duty of the Committee was to go into this matter to see whether the suggestion of Government would actually effect what they wanted to effect without injuring unduly either the consumer or those interests, whether of importers or indigenous producers, which might be affected.

The Honourable the Finance Member made two very important statements. I consider, both of which should facilitate the passing of this measure. In the first place, he gave a very clear assurance in regard to the genuine users of diesel oil for purposes of power. I noted that assurance most carefully, because it is the kind of assurance that some of us have been endeavouring to obtain from the Finance Department of the Government of India in other connections where articles which are imported for agricultural purposes come under rather heavy duties and we want exemptions from duty for genuine users of those articles for agricultural purposes. I was delighted, not simply on the ground of this Bill that we had this assurance, but also on wider grounds, and I shall return to my attack upon the Finance Department with renewed vigour for similar assurances in other connections, in connection with articles which are used for agricultural purposes and which are subjected to heavy duties. The second important announcement that the Finance Member made was in regard to the appointment of a Committee whose terms of reference he did not precisely define, but which, I gather, is to watch the actual effect of this Bill when it is brought into operation. I gather that is really the point. I gather that this Committee will see whether any injustice is actually being done to a class of trader, it will watch the Bill from the point of view of the consumer and also it will, if it is prepared to meet in a Chamber where the temperature varies only between 80 degrees and 85 degrees Fahrenheit, actually watch the testing of certain classes of oil by this particular lamp.

Now, Sir, I would call the attention of the House to the report of the Select Committee which I think is a very reasonable report, although I was one of the members of it. In the first place, I would make it clear that the Committee, generally speaking, laid it down that:

"It is equitable that the oil which the Bill aims at making chargeable with import duty as illuminant oil should pay that duty if it is capable of use and is being extensively and increasingly used for purposes previously served by the inferior brands of 'kerosene' which are already subject to excise duty."

We examined various gentlemen who came before us, and we ascertained two rather important facts. One was that it was never the intention of

the importers themselves,—and we have admitted that in the Select Committee's report,—to bring in this oil for any other purpose than for use in engines. That was the first admission. The second admission was that, as a matter of fact, some of this oil is being used for illuminant purposes; and the third fact that we elicited from our examination of these gentlemen was that it is perfectly possible to import diesel oil which will not in fact have any illuminant capacity or certainly will not have the amount of illuminant capacity which would bring it under the test which is proposed by the Bill. Therefore, those of us who were particularly anxious to watch the traders' position came to the conclusion, and I think it is an absolutely justified conclusion, that there need be no hardship whatsoever on the part of the consumers of diesel oil if they intend to import it for use in engines alone and are not allowed to bring it in under a lower rate of duty in order to use it and to circulate it as an illuminant.

Then, Sir, another point we were particularly anxious about, and that was the nature and adequacy and impartiality of the test. I am quite sure that the Honourable the Finance Member can answer one or two of the technical points which have been raised this morning. I believe I am not mistaken when I say that we were assured in the Select Committee that this particular test was a test that has been discovered as a result of many experiments and is now recognised by the Imperial Institute of Technologists or some Institute of that kind,—a purely scientific body which has no connection whatever with any particular firm; and that as this test has been recognised by this Imperial Institute of Petroleum Technologists, —I think that is the correct title,—Government were quite justified in assuming that this was a test based on something which was entirely scientific. The adequacy of the test may be judged if the Honourable Members will bear with me while I read out from information which was supplied to us at the Select Committee in regard to the test,—two sentences under the interpretation of results. Most of this is of course of a very highly technical nature and I will not trouble the House with it. All I am trying to show is that the test certainly is adequate and I think we may say it will be impartial. First of all it says that:

"At least three determinations shall be made by use of three different pieces of wick to obtain three consecutive readings the extremes of which shall differ from each other by not more than one millimeter and the results reported shall be the mean of these three consecutive readings. . . . An oil shall be classified as an illuminant oil if the flame height so obtained is over ten millimeters."

One of the interesting things that we learnt in the Select Committee was that even in the same class of oil, various samples can have different illuminating capacities and, therefore, it is quite impossible to take a particular sample of oil like Burma red oil and say that we will test this and then say that anything below that should be subject to the lower rate of duty; because, different samples, even of the same class of oil, may have a different illuminating capacity. Therefore, you must have a fairly wide margin for variations of the same class of oil. I have no other particular point to make, because the speeches on this stage of the Bill have, I think, been very reasonable: they have certainly given expression to the fears which were present in the minds of members of the Select Committee. I think that most of those fears have been met in a very large degree by the Honourable the Finance Member in his speech today and in the proposals in the Bill. There have been a number of points mentioned some of which have been made by my friend, Mr. Jadhav, which really do not touch the Bill at all. The question of petrol prices has nothing to do with

[Mr. F. E. James.]

this: the possibility or the advisability of equalising the excise duty and the customs duty is not a matter for discussion at this stage. But there is only one matter that I should like to refer to, and that is the point of view that has been expressed by my Honourable friend, Dr. Ziauddin Ahmad, in regard to the consumer. I do not think any one of us on the Select Committee would have put our signatures to the report if we had honestly felt that the result of this Bill would mean any real increase in the price of kerosene to the consumer; and personally I am convinced that is not the case. My Honourable friend, Mr. Lalchand Navalrai, made one very damaging admission in his speech. He said that the price of the indigenous product was ten annas a gallon, whereas the price of the imported product was eight annas a gallon—a difference of two annas. Where has the extra anna gone to, because the imported article is getting in at three annas less than the kerosene customs duty? Even with regard to the indigenous product, it is getting a benefit of a little more than two annas. But these points are not very material to the main issue under consideration. I am convinced in my own mind that the consumer will not lose by this Bill, because, for one thing if this Bill is passed today, the importation of this kind of oil under a category to which it really does not belong has not assumed such large proportions as to make any essential difference to the consumer throughout the country. I say quite frankly that if I had been convinced that the consumer would have suffered, I might have not signed the report with the assurance with which I ultimately did sign. Therefore, I hope that the House, in consideration of the extremely conciliatory speech of the Honourable the Finance Member, and also in consideration of the fact that it is getting an opportunity to watch in consultation with the Finance Member the effect of this Bill from all points of view, I trust that the House will unanimously proceed to the next stage.

Mr. President (The Honourable Sir Shanmukham Chetty): Sir George Schuster

(Sardar Sant Singh rose to speak.)

Mr. President (The Honourable Sir Shanmukham Chetty): All these issues are definitely raised in various amendments; and the Honourable Member will certainly get a chance at the next stage.

Sardar Sant Singh: But so far Members of the Select Committee only have spoken

The Honourable Sir George Schuster: Sir, I feel sure that my Honourable friend will have every opportunity of letting the House hear what he has got to say on this matter. In replying to the debate, I have only one point with which I wish to deal. I want to clear up the position as regards the experiments which we have made in order to provide a test for these illuminating oils. Our chemists in the Customs Department, a considerable time ago, were instructed to experiment with a view to finding out a limit above which there was a reasonable illuminating effect and below which there would not be. They experimented on a very large range of samples, and they found that a 10 millimetre flame in this test lamp corresponded with surprising consistency with a four hours' reasonable illuminating performance in a hurricane lamp; and, it was on that ground,

that we came to decide on this 10 millimetre flame as our first start off for this test. I am told that the various oils imported by the National Petroleum Company, which can be more accurately described as gas oils and not as light diesel oils, were tested a number of times and showed results of 12½ to 13 millimetres. That is the position at present. Now, our chemists were not instructed in making these tests to pay particular attention to the burning capacity of the Burma red kerosene. They are now getting on to that, but it was only in the Select Committee discussions that that assurance about working out something which corresponded to Burma red kerosene was given; but I think the essential point for the House to realise is that the 10 millimetre test corresponds, we are satisfied, to a four-hour reasonable burning performance in an ordinary hurricane lamp, and that seemed to us to be a very good basis on which to start. That is the position, and my Honourable friend, Mr. Jadhav, I think, is entirely incorrect in saying that we have not experimented in this matter sufficiently far to justify us in making a start. I should like also to say that my Honourable friend, when he complains of lack of time in the Select Committee for discussing this matter, has only himself to blame. We had two meetings, one a very long meeting, and, if any Honourable Member of that Committee had wanted more time, he had only got to ask for it. It was not we who closed the discussions or exhibited any unwillingness to have further meetings. I must admit that the Committee was meeting under considerable difficulty, because the time was limited and the House was sitting on other business all the time, but, if any member of the Committee had wished for further meetings, we on the Government side would somehow or other have found time to come. I am glad that most of the Honourable Members who have spoken have supported this motion which is now before the House, and I trust that we shall be able to dispose of the amendments quickly and pass this measure in the course of the day.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That the Bill further to amend the Indian Tariff Act, 1894, the Indian Finance Act, 1931, and the Sea Customs Act, 1873, for certain purposes, as reported by the Select Committee, be taken into consideration."

The motion was adopted.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 2 stand part of the Bill."

There are two amendments, Nos. 1 and 2, in the name of Dr. Ziauddin Ahmad and Mr. K. P. Thampan which are very much alike.

Dr. Ziauddin Ahmad: I do not like to move mine, as I have already spoken once. Mr. Thampan may be allowed to move his.

Mr. K. P. Thampan: Sir, I beg to move:

"That in sub-clause (7) of clause 2 of the Bill, in the proposed Item No. 40B, for the words 'which is suitable for use as an illuminant in wick lamps', occurring in the second column, the words 'which has the same illuminating capacity as the lowest grade kerosene oil and is suitable for use as an illuminant in wick lamps' be substituted."

[Mr. K. P. Thampan.]

Sir, it is suggested that the diesel oil is replacing kerosene oil and, therefore, the revenue of the Government has decreased. Unless the diesel oil has the same capacity as the lowest grade kerosene oil, there is no meaning in taxing it with a higher duty. The clause, as it stands, only says: "which is suitable for use as an illuminant in wick lamps". Even the lowest grade diesel oil that is used as fuel for oil engines has got a certain percentage of illuminating capacity. All combustible things produce light when they burn. What I say is that, unless the test satisfies that it is equal to the lowest grade kerosene oil on which is imposed either an excise duty or a customs duty at the rate of Rs. 0-3-9, this oil should not be placed in the same category and taxed at that rate. That is really the point I want to make, otherwise it is subject to abuse by the Customs Department and bound to create trouble. Sir, I move my amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): Amend-
ment moved:

"That in sub-clause (1) of clause 2 of the Bill, in the proposed Item No. 40B, for the words 'which is suitable for use as an illuminant in wick lamps', occurring in the second column, the words 'which has the same illuminating capacity as the lowest grade kerosene oil and is suitable for use as an illuminant in wick lamps' be substituted."

Sardar Sant Singh: Sir, I am glad I have been given an opportunity to speak on this amendment. I had not the honour to serve on this Select Committee. Right from the Honourable Sir George Schuster who is piloting this Bill down to every one on this side of the House appears to be under the influence of a lamp. This lamp obviously possesses charms attributed to the traditional Alladin's Lamp . . .

Dr. Ziauddin Ahmad: At least I am not.

Sardar Sant Singh: This Bill came into existence because of the lamp that was invented and the credit for whose invention is being claimed in various quarters. A gentleman living in Rangoon claims this credit at one end of India. I say it from my personal knowledge that a gentleman in Rawalpindi, at the other end of India, told me that he was the inventor of the lamp. So there appears to be different claimants for the invention of this lamp which has given birth to this Bill. This is really the Alladin's Lamp. We are told that even the members of the Select Committee did not see the lamp working. But as was very rightly asked by you, Sir, from Mr. Jadhav,—why did they not examine the point in order to find out the illuminating capacity of the red kerosene oil from Burma? Probably, if they had seen the lamp actually burning, they would have been under its baneful influence still more. Even under a lesser influence, the attitude of the gentlemen has undergone a wonderful change. Those, who had entered the House to oppose the Bill, find themselves supporting the Honourable the Finance Member. So the influence of this wonderful lamp is still there.

Now, Sir, the position is this. After studying both the Majority and Minority Reports, I find that the signatories to these reports are conscious of the fact that if the high rate of duty is levied on this inferior class of oil which has some illuminating capacity, as it is clear from the evidence

of so many gentlemen, you would drive this oil out of the Indian market altogether. In the Majority Report it is stated:

"We have been unable to reach any certain conclusion as regards the possible effect on prices of diesel oil generally of subjecting to the higher duty the particular grades of oil that are now in question. The representatives of Government assure us that they do not anticipate any increase on the ground that other diesel oils which are as suitable for oil in diesel engines as the oil affected by this measure and which are available in the Indian market, will serve to satisfy the local demand, and that the present imports of oils affected by this measure are insufficient to exercise an appreciable effect on market prices."

This means that by imposing a higher rate of duty on this oil which is claimed to possess the same grade of illuminating capacity as the lowest grade of kerosene oil, the light diesel oil or gas oil will be driven out of the market. This fact is further made clear by a representation that has been received from several oil companies such as the British Burnah Petroleum Company, the Burma Oil Company of India, the Indo-Burma Petroleum Company, the Rangoon Oil Company, all of whom do desire that this oil should be driven out of the Indian market. In their representation they say: "the complete withdrawal of this light diesel oil will not affect the consumer's interest". Therefore, before I support the higher duty, I will have to look into the question whether the combine of these Companies are not working in their own interests to injure the consumer's interests. My friend, Mr. James, just told us that he would not have signed this Report if he were convinced that the actual duty which was being levied on this oil would injure the interests of the consumer, and that he had satisfied himself on that ground. At the same time, he said, in the course of his speech, that the question of petrol was not pertinent to the discussion on the present Bill. It is subject to a higher duty than kerosene oil, and so, you cannot have a complaint on that score. The position is this. Petrol comes in as a relevant factor, because we have personal experience of the prices of petrol that are ranging in the market . . .

The Honourable Sir Brojendra Mitter (Law Member): The Honourable Member is speaking on some other amendment, and not on Mr. Thampan's amendment.

Sardar Sant Singh: Sir, the question of petrol is relevant in this way. I am supporting the amendment of Mr. Thampan that it should not be subject to any duty if it is below the lowest grade of kerosene oil. What I say is that this Bill has been brought about to stop the import or to completely wipe it out of the Indian market, and it can only be saved if this amendment is accepted. We have seen that the prices of petrol vary very considerably as soon as the Russian petrol comes into the Indian market. Even the other day, I put a question and I have been putting it for the last three years, whether the Government knew that there was a combine of oil distributors in India which controlled prices of petrol, and I was always answered that there was no such combine, but today, on receipt of this representation from all these companies, it is clear that petrol is under a combine. Similarly, I am afraid that this diesel oil would also be practically under a combine

Mr. F. E. James: I think if you will allow me, Sir, I should like to interrupt my Honourable friend just to point out that we discovered on the Select Committee a thing that was news to me, that actually in regard

[Mr. F. E. James.]

to diesel oil used for engines there is the keenest competition, that there is no monopoly at all, and that a number of Indian companies are importing diesel oil which is not suitable as illuminants. I mention that, because my friend is not probably aware of that.

Sardar Sant Singh: I am thankful to my friend for the information he has given me. All the Companies that were dealing in diesel oil are British Companies, namely, the Burma Oil Company, and the Attock Oil Company and the remaining are small Companies, namely, the British Burma Oil Company, the Asphalt Development Syndicate, the Rangoon Oil Company. They are not doing any very large business, and so I shall not touch them. I know from the figures that have been supplied to me that these Companies are not very large

Mr. E. S. Millar (Burma: European): Sir, coming as I do from Burma, I should like to correct my Honourable friend. Probably he does not know that the Companies which he describes as small Companies are really very large Companies. It may be of interest to him to know the amount of labour that is employed in Burma by these indigenous oil producing Companies is round about 26,000 men, of which two-thirds are Indians and one-third Burmans. The Honourable Member cannot, therefore, say that the Companies to which he refers as small Companies are really small; they are very large Companies.

Sardar Sant Singh: May I know which Company the Honourable Member refers to?

Mr. E. S. Millar: The British Burmah Petroleum Company, the Rangoon Oil Company, and the other Companies which he mentioned.

Sardar Sant Singh: This is not very material to my argument. These Companies had been selling diesel oil at Rs. 120 per ton before
 I P.M. the new Indian importers came into the field. Since these importers came into the field two years ago, we find that the prices have come down from Rs. 120 per ton to Rs. 80 per ton, and that they are now selling at Rs. 60 per ton. In this representation it is stated that the Standard Oil Company was importing diesel oil in India and was selling it. Let me give you their own words. It is paragraph 13 of the Notes on the Circular Letter addressed to Members on the 5th December, 1933, by the National Petroleum Company:

"It is true that in recent years small importations of light diesel oil were made by the Standard Oil Company. But on realising that the oil was finding its way into the kerosene market, the importations were immediately stopped."

Very good of them to have cared for the revenues of India. But the fact remains that, in addition to the reasons which led them to stop the importation of the oil, the greatest reason was that the Indian Company had come into existence and were competing with them in the field. Therefore, what I want to make out for the purposes of this amendment is this. I do not want, as the Finance Member does not want, that there should be any effect upon the competitive prices of this oil. If the competition is not to be stopped, it is necessary that some standard should be fixed by which it should be judged that a particular

kind of oil falls within the definition of kerosene oil or within the terms which bring it under the clause of higher duty. I submit, that some standard should be fixed, and I propose that standard to be red kerosene oil produced in Burma. That was the reason which led me to write to the Department to find out what was the burning capacity of red kerosene oil of Burma, and the reply that I got I have read out to the House, and it is to the effect that no experiments have been made with the red kerosene oil of Burma. If we fix that as the standard, and with a variation of 15 per cent to the burning capacity, as stated by the Finance Member, there will be some check upon arbitrary classification of this oil as something different from what it is. In conclusion, I would say that if the capacity of the light diesel oil is below the burning capacity of the red kerosene oil, this light diesel oil should be charged at the same rate at which diesel oil is being charged under Item 41 of the Import Tariff. For these reasons, I support the amendment.

Mr. Muhammad Anwar-ul-Azim (Chittagong Division: Muhammadan Rural): As one of the signatories to the report of the Select Committee, I should like to say a few words on the merits of this amendment. I think my Honourable friends who were on that Committee will remember that at the instance of some Honourable Members certain gentlemen were examined. One gentleman, who belonged to the Indian Petroleum Company, was asked certain question by Mr. Mitra and Dr. Ziauddin Ahmad, and the Manager, who appeared on behalf of the Indian Petroleum Company, was positive that their oil would not burn more than one hour. The inevitable conclusion to which the Committee had to come was that the oil which he was managing was certainly not liable to come under this new scheme of taxation. I do not know whether my Honourable friends are espousing the cause of only one concern. I am told that there are a number of diesel oil companies carrying on the trade, and this Bill will hit them all equally.

Mr. K. P. Thampan: I may say for the information of my Honourable friend that I have got letters of complaint from as many as four merchants.

Mr. Muhammad Anwar-ul-Azim: Besides, should we not give credit to the machinery of the Government of India when they say that they will give the fullest opportunity to these people to show that they should escape this tax? They will have a test. Certain points have also been made by some friends who seem to be very solicitous with regard to the interests of the consumers. I know that when duties are changed from one rate to another with regard to salt, how far that goes to benefit the consumer I should like to know. I know from my own personal experience that not only the poorest man does not benefit, but it only benefits the middle classes and the speculators who run the show. So, if anybody is over-solicitous to these consumers, my answer to them would be, they should be first strong about their facts, and, so far as the area from which I come is concerned, I can assure you, Mr. President, that in our part we never use this diesel oil for the purpose of lighting. And my experience of Upper India and the Punjab is, not to speak of the luxury of a lamp, these poor villagers take shelter in their humble abodes before the sun is down. In the absence of a very strong data that these diesel oils which are being imported by these new Indian concerns are very

[Mr. Muhammad Anwar-ul-Azim.]

largely used by the rural population, I do not see any reason why we should not support our recommendations.

The Honourable Sir George Schuster: I hope that my Honourable friend will not press this amendment. The difficulty about it is that we have in fact no definition of kerosene on which to base a standard of comparison. If by kerosene my friend means kerosene as used in the Import Tariff, then we have the difficulty that it is not defined and it is just because it is not defined that we have had to introduce this Bill. If, on the other hand, he means kerosene as defined in the excise law, which I presume he mainly has in mind, because he is thinking in terms of Burma red kerosene, then his object is achieved in the present Bill, because the effect of the present Bill, as I explained to the House when I first introduced it, is really to apply the same sort of definition of kerosene for the purpose of the Import Tariff as is applied to it for the purpose of excise. I would remind the House that, for purposes of excise, kerosene is defined as meaning "any inflammable hydro-carbon which is made from petroleum, etc. (I need not complete that) and which (b) is intended to be or is ordinarily used in liquid form for purposes of illumination". That, Sir, is what would be the effect of my Honourable friend's amendment if it is intended to bring in the word kerosene from the excise explanation and that, I suppose, is the result which it really would produce. That being so, there is really no purpose in my Honourable friend's amendment from a technical point of view, and I suppose that the real purpose which lies behind it is the desire to be assured that we shall not by means of this test subject to this higher duty oil which is substantially inferior to Burma red kerosene. Sir, I have already explained to the House what our position in that matter is, that we propose to start off with a test by this lamp which we have found to be equivalent to giving four hours adequate burning in an ordinary hurricane lamp and I submit that, if an oil is capable of that, then it is suitably taxed as an illuminant. I am very glad that my Honourable friend, Mr. Anwar-ul-Azim, reminded the House and his fellow members on the Committee of a statement which was made to us by the representatives of the National Petroleum Company in the Select Committee. They told us that their oil would not burn for more than one hour in an ordinary hurricane lamp. If that is the position, then they need have no objection of any kind to this Bill, for our test will catch no oil which is not capable of burning for four hours. Sir, on the technical ground that I have explained, I would suggest to my Honourable friend that he might withdraw his amendment, because, in fact it would not achieve the object which he has in view.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (1) of clause 2 of the Bill, in the proposed Item No. 40B, for the words 'which is suitable for use as an illuminant in wick lamps', occurring in the second column, the words 'which has the same illuminating capacity as the lowest grade kerosene oil and is suitable for use as an illuminant in wick lamps' be substituted."

The motion was negatived.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

Mr. President (The Honourable Sir Shanmukham Chetty): There are a series of amendments—Nos. 3 to 7—which seek to reduce the duty. The Chair would allow a comprehensive discussion on the first amendment that stands in the name of Sardar Sant Singh, and, afterwards, if the other amendments are moved, the question will be put and no further discussion will be allowed. Sardar Sant Singh.

Sardar Sant Singh: Sir, with your permission, I should like to move amendment No. 4 and give up No. 3. Sir, I move:

"That in sub-clause (1) of clause 2 of the Bill, in the proposed Item No. 40B, for the words 'Two annas and three pies', occurring in the fourth column, the words 'Twelve pies' be substituted."

In support of my amendment, I only want to make a few points and they are these. According to Schedule II of the Import Tariff, diesel oil is charged duty under serial No. 38 (c), Item No. 41, that is 12½ per cent. *ad valorem*. But this particular oil which is imported here was charged at a double rate, that is 25 per cent. *ad valorem* under Item No. 75. This was done according to the decision given by the Board of Revenue in this case when the matter was referred to them. According to this 25 per cent., the duty came up to something like 7½ pies per gallon. It has been admitted on all sides that the quality of the light diesel oil is inferior and is only used as an illuminant by a very poor class of people for which the percentage of consumption as an illuminant is not very large. Though it is claimed by the combine of the European firms that this oil is being used as an illuminant to the extent of 90 per cent, while ten per cent is only used as fuel oil, yet no evidence of facts and figures to substantiate their claim has been quoted. The Honourable the Finance Member too, in his speech, did not accept this figure, and it is not accepted by the members who signed the Majority Report. Therefore, it cannot be assumed that the oil is being used as an illuminant to such a great extent. It is also clear that the duty might affect the import to a great extent and thus cause some hardship to the industry which uses this oil as fuel. Therefore, I propose that, for the time being, while this is in an experimental stage and it remains to be seen how the present Bill will affect the import of this oil, 12 pies should be considered sufficient for revenue purposes. Meanwhile, the Committee, about which a suggestion has been made by the Honourable the Finance Member, will watch the effect of this duty, and if they are of opinion that revenue is affected to a great extent and this oil is being used more as an illuminant and is displacing the red kerosene oil, then, in that case, the duty may be enhanced during the Budget Session of the Assembly. I have not proposed amendment No. 3 for the simple reason that it may be considered too low a duty. I have put this amendment before the House as a compromise between the two interests and, at the same time, we may guard against this fear that the move is directed towards stopping completely the import of this oil. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved: |

"That in sub-clause (1) of clause 2 of the Bill, in the proposed Item No. 40B, for the words 'Two annas and three pies', occurring in the fourth column, the words 'Twelve pies' be substituted."

Mr. Lalchand Navalrai: Sir, as a member of the Select Committee, I owe it to the House to explain at least why it was that we made haste in sending this Bill to the Assembly. An expression has come from the Honourable the President also and, therefore, I feel it still more my duty to explain. Sir, it is known to the House, when this Bill was referred to a Select Committee, there was anxiety on the part of the Government that we should not be given more than seven days for consideration in Select Committee, and then we met the very next day—it was not that we wanted time—and then again we met after two or three days. In the meantime, certain information had to be given to us. On the last day that information was given, but no test was made. They said when we asked for it, that the very next day the Bill had to be sent to the Assembly. The second thing they said was that there was no laboratory in Delhi where this test could be made. We were told that we would have to go either to Lahore or somewhere else, and there was no time. Therefore, we said: "Let it go to the House with certain notes of dissent being put on the Bill." Sir, my own note of dissent on all the points is before this House. Then, with regard to the incidence of the duty, I must say that it should be recognised that this oil, I mean the coarse oil, is inferior to the kerosene oil, and, on that point, it is not only the question of the test that should be considered in fixing the assessment, it is not only that phase that has to be considered, but there are other factors to be counted. Even if it comes after the test to the very level up to which this red kerosene goes up, yet there are other circumstances to be considered which I have mentioned in my note of dissent. I have said:—

"In view of the fact that diesel of the Indian Companies, Messrs. The Mills Store and National Petroleum, in comparison with red kerosene oil, even if illuminant by test, is inferior in the sense of being coarser in colour, giving unsteady light, having a diminishing flame and being more smoky, the incidence of import duty on it should be lesser than the excise duty levied on red kerosene."

Sir, besides this, I have also given the information that this oil is being sold at eight annas, whereas the other red oil is being sold at ten annas. These are the circumstances on which a difference should be made. The point of justice lies in this that the red kerosene is being charged (though that is an excise duty) only at two annas and ten pices. Now where is the justification that this gas-oil should be charged at more than that? The idea is only to bring them down on the same level as the red kerosene. Now, it is said: "Well, that is an excise duty; the other is an import duty." We do not want an excise duty to be placed on this, but when we are actually framing new provisions of law, why should we not consider this point and give this the same standard? Now, Sir, if we look at the Tariff Act, we find that Item 40 comprises the pure kerosene oil. Then, under Item 75, they have provided for any mineral oil that does not come under Item 40 and, therefore, is charged a different percentage which comes to 7½ pices. Why should Government ask us to have the same duty or the same incidence as that of pure kerosene unless they are satisfied that it has equal illuminating power? Sir, the injustice of this action of Government can be seen very easily. That being the position, this amendment is put in to equalise the duty with red kerosene. Virtually we are making a clause which is very much similar to Item 40. Item 40 relates to pure

kerosene and what we say by this amendment is; why any lesser kerosene should pay the same duty. Therefore, I submit that the justice of this amendment is so very vivid and so very glaring that no arguments are needed. The Government should do two things. Until they are satisfied and the so-called scientific test is made, they should, in fairness, charge the duty on gas oil as they have been charging so far, namely, under Item 75, which is $7\frac{1}{2}$ pies. And they may change if the test proves otherwise. Sir, a Committee is being appointed, and I am in full agreement with that move and I hope the motion will be made for that Committee. But, before that Committee meets, injustice is being done to the Indian Companies. They are being asked to pay more than what they should pay. We do not know how long the Committee will take to come to their conclusion, but what I do submit is that, in the meantime, no harm should be done to any Company. With these words, I support the amendment. j

Dr. Ziauddin Ahmad: Sir, I subscribe to every word that has just been spoken in favour of this amendment. But my difficulty is of a technical nature. I maintain that this is not proper time to move an amendment of this kind. The proper time to move a motion of this kind will be the Budget time when we discuss the Finance Bill. Not only this point, but there are other relevant matters which ought to be seriously studied from now till March next, and then we should come forward with some kind of a definite scheme. I quite agree that great injustice is being done by treating alike the various kinds of oils under the same category of kerosene. The burning capacity of different types of kerosene oil is different and the duty should be assessed in a different manner. We were given to understand that the Finance Member has already put somebody on special duty to inquire into this matter. I believe some chemists have already been employed to investigate the whole matter and the Committee of this House will also watch the situation. So, when the whole scheme has been worked out and some definite conclusions have been arrived at, then the time will come to make definite motions. While, therefore, sympathising with my Honourable friend and also agreeing with him entirely in what he has said, I am afraid this is not the proper time to discuss this motion. The proper time to consider this matter will be when we discuss the Finance Bill next March.

The Honourable Sir George Schuster: Sir, I understood my Honourable friend to move the motion to substitute the words "Twelve pies". I was not quite clear, because he spoke about No. 4, and No. 4, on my list, is "Eighteen pies".

Sardar Sant Singh: I have referred to the printed list.

The Honourable Sir George Schuster: Then, I will take it to be "Twelve pies". I find it somewhat difficult to understand what my Honourable friend is after. If the duty is reduced to "Twelve pies", then the Honourable Member has another amendment down which would have the effect of cancelling the first surcharge. So, if the basic duty is 12 pies, then, with the addition of the second surcharge, the excise duty will become 15 pies as compared with the present excise duty of two annas and $9\frac{1}{2}$ pies and the present import duty of three annas and nine pies. It seems to me that my Honourable friend's proposal is a sort

[Sir George Schuster.]

of half-way house which makes the worst of both worlds. If the oil is really required as a fuel oil, then his duty is too high. If, on the other hand, it is used as an illuminant, then a duty of one anna and three pies as compared with the excise duty of two annas and 9½ pies and the import duty of three annas and nine pies is, if I may say so, ridiculously low. My Honourable friend has made very much of this argument that the oil which is to be imported is inferior to red kerosene. I have already on several occasions pointed out that we are proposing to start with a test which will only subject oil to this higher duty which is capable of burning for four hours in an ordinary lamp. I submit that oil that can burn like that is a reasonably good illuminant. It may not be as good as first class white kerosene and there would be more to be said for the proposal put forward by my Honourable friend, Dr. Ziauddin Ahmad, to try and devise some sort of differentiation between qualities of kerosene. But this proposal is an unscientific proposal. If differentiation is required, this duty is far too low and it would have a very serious effect on our revenue, because, presumably, this lower duty would also apply to the other kinds of inferior kerosene—I call it inferior “kerosene”—which may be imported. I would like to point out to my Honourable friend that, under these proposals, we shall have two classes of oil paying the kerosene duty and it will in practice be very difficult to draw the line between what falls in one class or the other. If the duty on the two classes is the same, the difficulty will be of no practical significance. But if there is a very substantial difference between the two duties, then the administrative difficulties put upon the Customs authority in drawing the line will be very great. I would like to point out to my Honourable friend, who seems to think that there is now this one class of clearly distinguishable gas oil which would come under his provision, that there would be a number of other classes of oil which are now treated as kerosene which would have to be treated on a par with this. My Honourable friend's amendment would upset and undermine the whole position. On grounds of principle or technical grounds, as he himself has called them, I entirely endorse what has been said by my Honourable friend, Dr. Ziauddin Ahmad. He says that I have given some sort of assurance. I do not wish to be misunderstood on this matter. I have not given any assurance that we will consider in the Finance Bill a differentiation between the classes of kerosene. I have never gone as far as that, but what I have done is to say to Honourable Members, who have raised this point, that, if they want it raised, then the occasion of the Finance Bill is the time to raise it, and not now. I have also said that, on grounds of principle, I think it is a reasonable proposal and that there is a good deal to be said for it. Whether we can do it or not depends on whether we can find an easily worked dividing line between the different classes of illuminating oil, that is the first thing. The second thing is, whether our revenue position will permit of a distinction of this kind being made for the reduction of the duty on the lower classes. Sir, I think I need say no more and I must oppose my Honourable friend's amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

“That in sub-clause (1) of clause 2 of the Bill, in the proposed Item No. 40B, for the words ‘Two annas and three pies’, occurring in the fourth column, the words ‘Twelve pies’ be substituted.”

The motion was negatived.

Mr. Lalchand Navalrai: Sir, I beg to move :

"That in sub-clause (1) of clause 2 of the Bill, in the proposed Item No. 40B, for the words 'Two annas and three pies', occurring in the fourth column, the words 'One anna and four pies' be substituted."

I have only to draw a distinction in the incidence of duty as compared to the red kerosene oil. The red kerosene oil is now being assessed at Rs. 0-2-9½, whereas my amendment requires 16 pies to be charged on gas oil *plus* six pies surcharge *plus* a second surcharge which will bring it to Rs. 0-2-6. In consideration of the inferiority that I have pointed out to the House in the quality of the gas oil, my amendment should be accepted.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is :

"That in sub-clause (1) of clause 2 of the Bill, in the proposed Item No. 40B, for the words 'Two annas and three pies', occurring in the fourth column, the words 'One anna and four pies' be substituted."

The motion was negatived.

Dr. Ziauddin Ahmad: I want to move my amendment No. 8.

Mr. President (The Honourable Sir Shanmukham Chetty): It cannot be moved because it is barred by a decision taken by the House on amendment No. 2.

Sardar Sant Singh: Sir, I beg to move :

"That after sub-clause (2) of clause 2 of the Bill, the following new sub-clause be inserted :

'(3) After sub-item (2) of Item No. 41 of the Second Schedule to the Indian Tariff Act, 1894, the following sub-item shall be inserted, namely :

'(3) Oil ordinarily used for machinery not falling within Item 40B *Ad valorem* 12½ per cent.'"

Sir, my object in moving this amendment is very simple. I want to guard against the mistake that occurred recently when the import duty was charged on the diesel oil. The object of the Bill will be fulfilled when the higher duty is charged if, after a certain test, the oil is found to be of a certain standard for illuminating purposes. If it is below that standard, there should be no occasion for charging the duty under Item 75 as it was actually charged by the order of the Revenue Board. It should be chargeable under Item 41. Therefore, I want that a new sub-clause, under Item 41, should be added, whereby it should be made clear that, if the quality is below the standard which is found after the test is applied, then the duty should be 12½ per cent. and not 25 per cent. as it was charged. Therefore, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved :

"That after sub-clause (2) of clause 2 of the Bill, the following new sub-clause be inserted :

'(3) After sub-item (2) of Item No. 41 of the Second Schedule to the Indian Tariff Act, 1894, the following sub-item shall be inserted, namely :

'(3) Oil ordinarily used for machinery not falling within Item 40B *Ad valorem* 12½ per cent.'"

The Honourable Sir George Schuster: Sir, I think my Honourable friend's amendment is moved under a certain misconception. As it stands, I am afraid I must regard it as extremely objectionable. I would object to it in the first place as being out of order, because it would affect items of the tariff not mentioned in the Bill. It would, for example, affect the specific duties levied at present on kerosene oil and lubricating oil. Apart from that, on its merits it would have a very different effect to what my Honourable friend has in mind. It would, in fact, mean that any importer of oil, even if it was oil that could be used as an illuminant if he could establish that a sufficient quantity of that oil was used for machinery, would be able to claim to have that oil taxed on this lower scale. That is what I am advised by my Customs Officials and, therefore, the Standard Oil Company, for example, might arrange to sell a sufficient quantity of their standard kerosene oil as fuel oil and then come along and claim to have it assessed under the 12½ per cent. duty on the ground that they had established that it was oil ordinarily used for machinery. I am not suggesting that it would be easy for the Standard Oil Company to sell a sufficient quantity of oil for that purpose, but I suggest that there is a loop-hole in the amendment of my Honourable friend.

Sardar Sant Singh: The position is this. I exclude all items not falling within 40; if it is used for illuminating purposes, it will fall under Item 40-B. There is a qualification attached to it.

The Honourable Sir George Schuster: If that is so, I must say that my Honourable friend attempted to attain his object in the wrong way, because he has used words here which make the basis for the selection of this oil the method of use of the oil and not the quality of the oil. The practical use is to be the test and not its quality. In any case, I think my Honourable friend's amendment is unnecessary, because I imagine that, what he has in mind, the sort of oil which he has in mind, would fall under Item No. 41, which is oil not ordinarily used except as fuel or for some sanitary or hygienic purposes. Therefore, my Honourable friend would get what he wants without his amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): Does the Honourable Member take the point of order that the amendment is out of order?

The Honourable Sir George Schuster: I stand on the merits.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That after sub-clause (2) of clause 2 of the Bill, the following new sub-clause be inserted:

'(3) After sub-item (2) of Item No. 41 of the Second Schedule to the Indian Tariff Act, 1894, the following sub-item shall be inserted, namely:

'(3) Oil ordinarily used for machinery not falling within Item 40B *Ad valorem 12½ per cent.*'"

The motion was negatived.

Mr. K. P. Thampan: Sir, I beg to move:

"That to clause 2 of the Bill, the following proviso be added :

'Provided that oils used for fuel in engines shall only be subject to the duty leviable under Item No. 75 of the Indian Tariff Act and the Governor General in Council may frame rules for the refund of the excess duty if levied'."

Sir, at the very outset I must confess that I do not feel very happy over the wording of this amendment. If the House accepts the principle involved in the amendment, then the services of expert draftsmen may be requisitioned and a proper amendment can easily be drafted.

Now, this oil is primarily intended for use as fuel in oil engines. For that purpose it is distinctly superior to the ordinary oil sold in the market. At the first reading of the Bill, I said that my own experience was that the lighter diesel oil was distinctly superior to the other diesel oils that were sold in the market, the effect of which was that there was immediate formation of carbon in the cylinder and one was obliged to clean the engine oftener than one had to do with lighter oil. One of the reasons why I opposed the Bill was that I should not be a party to increase the cost of diesel oils in the market. The Honourable the Finance Member said, when he introduced the Bill and also subsequently in the Select Committee, that he stood committed to the principle of giving refunds to the genuine users of oil engines if Government were satisfied that they were forced to pay a higher price for the oils that they purchased. He also said that Government were prepared to watch the situation and see if the prices were actually put up by the competing companies. This morning he was good enough to announce that he would also appoint a Committee of this House as was done in regard to the salt duty and, if they were satisfied that this duty was affecting those interests then, effective steps could be taken to remedy it even without coming to the Legislature. Sir, personally I am not satisfied with that kind of pious wish for this reason that, by the time the effect of this higher duty is realised by that Committee, the merchants who are dealing in these things would wind up their business in that line, because by the imposition of a duty, that is equivalent to the duty on kerosene oil, the price will become prohibitive and nobody would purchase it. They were hitherto paying only Rs. 15 or so under Item 75 of the Customs Act while, hereafter, they will have to pay about Rs. 60, with the result that the price of the oil will be on a level with that of kerosene oil.

Let me now invite the attention of the House to section 23 of the Sea Customs Act, which the Honourable the Finance Member said was sufficient for the purpose of giving refunds. That section says:

"The Governor General in Council may, from time to time, by notification in the Gazette of India, exempt any goods imported into, or exported from, British India, or into or from any specified Port therein, from the whole or any part of the Customs duties leviable on such goods."

This in effect means that this section will be used or brought into operation only if and when Government are satisfied that the price of oil has substantially increased as a result of this measure. What I want is that there should be a Statutory provision in the Act itself to the effect that, by virtue of that section, genuine users of oil engines are excluded from the operation of this Act. That is why some of us on this side of the House are anxious to introduce this provision.

[Mr. K. P. Thampan.]

Now, Sir, with regard to the quantity or the proportion of the oil that is used for illuminant purposes, the position is very doubtful. Certain people say, particularly those people who are interested in putting up this duty, that 90 per cent. of this imported oil is used for illuminating purposes, while on the other hand, people who deal in the oil say that it is only ten per cent. that is used as such. Government themselves have no data to proceed upon. We have no kind of information, but I will, with your permission, read a paragraph of a letter that I received from the Northern India Oil Company who are importers of petroleum products which, I think, is a fairly correct estimate. They say in the course of the letter:

"The fear of the Government that diesel oil is replacing kerosene oil for lighting purposes is absolutely unfounded. Diesel oil is exclusively used for fuel purposes in the factories. From Karachi to Peshawar and Delhi to Lahore this newly imported diesel oil has only been used for the purposes of fuel in running machineries and not for any other purpose. This fact can be fully corroborated from the certificates of diesel oil obtained by us from the consumers and supplied to the Karachi Customs in respect of a recent consignment of diesel oil imported by us at Karachi. Diesel oil may have been used for lighting purposes in other parts of the country, *e.g.*, Bengal and Madras, and that too by very poor people, because they find kerosene oil more expensive than diesel oil; and the quantity of diesel oil thus used by the poor classes is very insignificant."

That is only with reference to the Punjab. It is said that in Madras it might have been used by poor people. I have a letter with me from a Madras firm called "The Garland Petroleum Company". They say that their oil is not used for illuminating purposes and that it is solely used for engines. Therefore, my point is that apart from the propriety of imposing an additional burden on very poor people, without knowing what quantity of oil is used for lighting purposes, it is meaningless and hard to impose this duty on genuine users of oil on the ground that it is used for other purposes. The immediate effect of this legislation will be that the users of oil engines will be forced to pay higher prices for their oils. Sir, the effect of this Bill on the trade and the users of oil engines cannot be better put than what I propose to read now from a letter that I received from another company:

"About five or six years ago, Indians had no idea of entering the mineral oil trade except as agents, sub-agents and dealers for the few foreign mineral oil importing monopolists and indigenous producing companies. Some enterprising Indian firms studied the foreign producing and distributing market conditions. They found that there is scope for *sound* investment of capital in this business as suggested by the President of the Indian Tariff Board in his report on the then proposed grant of protection to the Indian oil industries. Thus four Indian firms laid their plans, and acquired land from Port Trusts at several Indian ports and put up bulk oil tank storage installations, and connecting them with pipe line to the oil piers at capital cost of several lakhs of rupees. These few Indian companies are named below:

1. The Western India Oil Distributing Co., Ltd., at Bombay.
2. The National Petroleum Co., at Bombay.
3. The Bombay Petroleum Co., Ltd., at Bombay.
4. The Mills Store Co., at Karachi."

To this list the Garland Petroleum Company at Madras must also be added, because, as a matter of fact, I know that they are dealing in this kind of oil:

"These companies found that the cost of high grade fuel oil imported from such distant places as Russia and Rumania (even though from the beginning assessed for Customs duty at 100 per cent. more than similar oil imported by the Standard Oil

Company of New York at the same time) could be sold to the consumer at prices equal to that at which the foreign importing and Indian producing companies were charging the Indian consumer for an inferior grade of oil."

Sir, the next paragraph is very important:

"Before the Indian oil importing companies came into the market, the Indian oil engine owner had not even the knowledge of the existence of superior fuel oil. They were thus led to accept whatever quality was offered at whatever price demanded by the monopolist companies, who obviously joined hands at maintaining a higher level of prices. Much of even this inferior fuel oil has always been used as an illuminant by the very poorer and backward peasants. The only difference that the entrance of Indian importing companies has really made is the reduction of the inordinately huge profits that these monopolists foreign companies have been used to from and have come to look upon as their legitimate due from the starving and naked millions of Indian peasants. These poor people have in the past paid as much as Rs. 120 per ton f. o. r. Karachi for the same quality of fuel oil which they are now getting at Rs. 55 to Rs. 60 per ton, or even less. . . The present rate of duty on fuel oil is Rs. 5-8-0 per ton; and although Government has charged on our fuel oils import duty at over Rs. 15 per ton, we have still continued to supply the higher quality of fuel oil at comparatively low prices, in the pursuance of our policy to educate the Indian oil engine owner to the real economy of using a better fuel oil. Not only will all the hard work done, the sacrifices made, and several lakhs of rupees of capital outlay which we have made to build up an absolutely legitimate trade will be lost; but the large body of small oil engine owners will again be left at the mercy of the foreign monopolists and be compelled to use low-grade fuel oil which speedily ruins engines by much larger carbon deposits increasing cost of maintenance and repairs.

The duty proposed to be levied by the Bill before the Select Committee, *viz.*, Rs. 0-3-9 per gallon would amount to Rs. 56-4-0 per ton and this is the measure of advantage it proposes to give the foreign monopolists and Indian oil producing companies, neither of whom, according to the Finance Member, has made any representation of any grievance. In this connection, we may state that our present selling price is Rs. 75 per ton f. o. r. Karachi and if Rs. 56-4-0 is to be added this will make the selling price Rs. 116-4-0 per ton at Karachi. This price is too high and can never be paid by agriculturists and small industrial concerns."

Sir, that makes it clear that if the proposed duty is imposed, the price of fuel oil will be increased by more than 100 per cent.: that is a contingency which I, as an agriculturist and one interested in industries, cannot face. I must, therefore, move my amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That to clause 2 of the Bill, the following proviso be added:

'Provided that oils used for fuel in engines shall only be subject to the duty leviable under Item No. 75 of the Indian Tariff Act and the Governor General in Council may frame rules for the refund of the excess duty if levied.'

Mr. M. Maswood Ahmad: Sir, I want to know whether my amendment to clause 3 will be out of order after this.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair can only say that, when that amendment is reached.

Dr. Ziauddin Ahmad: Sir, there are only two points in this Bill. The first point is about the diesel oil being used as an illuminant; we agree with the Government and we agreed also in the Select Committee that any oil,—diesel oil or gas oil—if used as an illuminant and if it has the same illuminating capacity as kerosene oil, should be taxed equally. The only difference was this: that the Government said that, if it is used as an illuminant, that should be sufficient to charge the highest duty, and we, on this side of the House, laid stress on the point that a further condition should be imposed that it should not only be an illuminant, but that

[Dr. Ziauddin Ahmad.]

it should have the same illuminating capacity as kerosene before the same duty is levied. As far as we have legislated at present, the thing is not quite clear. But, on the assurance given that this thing will again be looked into and will be carefully examined by some Committee of experts, I think we may allow it to go through, and then see what the results would be. I never said in this House that the Honourable the Finance Member has promised anything or that he would lay this matter before us, in the Finance Bill. But what I said was that some experts would be investigating into the matter and the results of their investigations would be at our disposal and then we would have a chance to discuss the whole question on that particular occasion. That was all that I said. The other aspect is this: What would be the effect of raising the price of this oil in the running of machinery? We know that this oil is also used as fuel; we do not know what exactly the percentage is that is used as fuel oil, and we have a very strong apprehension on this side of the House that the price of fuel oil would be raised and that it may seriously affect the entire running power in the country, especially in the case of small machinery used for agricultural purposes. We know this thing, that this particular oil is a better fuel than other forms of diesel oils which deposit a large amount of carbon and thereby lower the life of the machine. This is a point on which though assurances were given by the Honourable the Finance Member that he would see his level best that the users of these machines do not suffer and that the agriculturists do not suffer, we have not visualised as to how this thing would be done; and this practical amendment is an attempt to give effect to the assurances already given on the floor of the House and in the Select Committee. What we all try to achieve is this, that though the oil which has the same illuminating capacity must be equally taxed this fact should not be used to put any kind of discount on the machines which use this gas oil for the purpose of fuel; and this is a point which must be carefully investigated; and if it is ever found that it is really affecting prejudicially the interests of the agriculturists and the interests of persons who are using this gas oil as fuel for running their machinery, then the mistake should be immediately corrected. I suppose the objects which we have in mind on this side of the House have already been accepted by the Government and the only question before us is how to give effect to the objects which we all have in view: and Mr. Thampan has suggested one particular form or method and, if the Honourable the Finance Member may suggest some other methods by which the same object can be achieved, then certainly the House will consider it; and if the scheme is better, then they would certainly prefer it to this particular scheme. But the Finance Member understands very well that we are very anxious that by this legislation the agriculturists who are using machines should not be allowed to suffer and the price of their fuel should not go up by the increase in the customs duty from nine pies to 3a. 9p. which is really a very big jump.

Mr. M. Maswood Ahmad: Sir, I agree with the object underlying this amendment, but I do not agree with the wording of it. There is no doubt that we are all unanimous on this side that oils used for engine purposes should be exempted from this duty; but, at the same time, the wording of the amendment is a bit defective, because, it says:

"Provided that oil used for fuel in engines shall only be subject to the duty leviable under Item No. 75."

After passing clause 2 and after having this proviso, it will be very difficult for the officers to decide whether they should take action under the proviso or under the clause; and, further, there is a provision in the proviso that the Governor General in Council may frame rules for the refund of the excess duty if levied. Nothing has been said that this refund will be made either to the Company or to the consumer who will use this oil for engine purposes. At this moment, I restrict myself to this, that I agree with the object, but I do not agree with the wording of this amendment.

Mr. R. S. Sarma: Mr. President, as a member of the Select Committee who was also responsible for getting an assurance of this character from the Government that the agriculturist shall not be penalized by the imposition of this tariff, I am entirely in accord with my friend, Mr. Thampan's amendment; but I think that the spirit of his amendment has got support very eloquently this morning from Mr. James himself on behalf of the European Group; and, in the course of his speech, this morning, the Finance Member himself has given an assurance that the spirit of this amendment will be observed. But the practical difficulty from his point of view was the machinery which will be able to find out how much of this was used as fuel oil and how much as an illuminant. On that, there is a good deal of difference of opinion, because, while one firm holds that 96 per cent. of this imported oil is used as illuminant, the National Petroleum Company holds that not more than 10 per cent. is used as illuminant, and it is also a matter in which the Provincial Governments have got to express their views after this Bill has been actually in operation. I understood the Honourable the Finance Member to say that the Committee, which he had in view, would also consider for the first few days how the Act is working and bring to his notice what best machinery could be evolved for the purpose of achieving this object; but I am at one with Mr. Thampan and Dr. Ziauddin and my friend, Mr. Maswood Ahmad, that the spirit of this amendment should be observed.

Mr. B. V. Jadhav: Sir, my friend, Mr. Sarma, has agreed that the spirit of this amendment should be observed and that the agriculturist who is using this diesel oil should not be penalised by payment of the duty also. The Finance Member has proposed that if the duty presses very heavily upon the agriculturist who is using it genuinely for diesel engine purposes, then he would arrange for a system of rebate. I must say, Sir, that this promise is not of much practical use. I know that it will be scrupulously carried out, but at the same time I have to point out that even this promise will not be of much use to the trade. According to him, the importer of light diesel oil will have to pay the import duty, then he will have to sell it at a rate minus the duty or minus the rebate for engine purposes, and then prove that the oil was really used for engine purposes. One has to bear in mind that first the duty will be collected at the importing ports and the diesel oil will be transported thousands of miles away into remote villages where it will be used for engines. So it will be very difficult for the original importer to realise in the shape of rebates what he has paid by way of import duty. At the same time, perhaps the certificates that will be issued to the consumer for consuming oil in his engine will be convertible into cash at some local Treasury and the consumer may take advantage of that. So, as a matter of fact, the importer who pays the duty in the first instance will not get any benefit of it. Suppose, for instance, the importer pays the import duty and then the oil passes to the consumer through various hands. Then, if the importer does not pay the import duty himself, he

[Mr. B. V. Jadhav.]

realises it by raising the price of the diesel oil, and then too it will be found that neither the middleman nor the ultimate consumer will purchase diesel oil at a price higher than the price for which he could get it in the market. Therefore, in this way the promise of a rebate is not of much practical value either to the importer or to the consumer. I, therefore, think, Sir, that this amendment ought to be supported for that reason. It cannot be left to the goodwill of the Government, because, with all their goodwill, actually the trade of importing this diesel oil will be killed by the imposition of this duty.

The Honourable Sir George Schuster: Sir, I must oppose this amendment. I have already, in my opening speech, given the general reasons on which I must oppose this and other similar amendments which are down later on the list. Before I touch upon that general ground, I want to say something about the actual form of this amendment.

I think it shows that Honourable Members, who have criticised this measure, have not quite appreciated that it may have certain advantages which they seem to have missed. My friend attempts to provide that oil used for fuel in engines shall only be subject to the duty leviable under Item No. 75, that is to 25 per cent. duty; but we, Sir, hope that, by applying this test, we shall catch all oil which is suitable for use as an illuminant, and that the oil which is not caught by that test will come in as ordinary fuel oil on a 12½ per cent. basis under Item No. 41. That will be the position, unless substantial quantities of the oil, which does not satisfy the illuminant test, still continue to be used as illuminants. Otherwise, if we catch all the oil which is suitable for use as illuminant and the oil which is not caught is only used for engines, my friend will get not only a reduction of 25 per cent. under Item No. 75, but a reduction of 12½ per cent. under Item No. 41. That, Sir, I think, is an important point.

On the general position, I have already explained, it is impossible for Government to commit themselves as regards any principle of refunds until we have consulted the Provincial Governments, and that general remark applies to the amendments down in the name of my friend, Mr. Maswood Ahmad. That is the first point I want to make. The second point I want to make is that legislation on this question of refunds is not necessary, because, as I have already pointed out, we have executive powers for giving refunds under section 23 of the Sea Customs Act. The third point which I have to make is that we hope that any form of refunds will be in fact unnecessary. The main ground on which we stand and have stood throughout these discussions is that there is plenty of good diesel engine oil available in the country from various sources in the world, and that, by cutting out one class of oil which is suitable for use in engines but which—unfortunately for those who want to use it in engines—is also suitable as an illuminant, by cutting out that one class, we shall not do anything to put up the price of ordinary diesel oil for those who want diesel oil for their engines. I would remind the House that there is actually another Indian Company,—so I am told,—the Western India Oil Company, which has developed an important trade in the import of genuine diesel oil which can never be caught under this measure. That shows that at any rate there is another competitor in the market, and we see no reason why there should not be many competitors. But we shall have to watch,—and that is the most important thing that we have got to do,—we shall have to watch the effect of this measure, if it is passed, on the price of genuine diesel engine oil, and I would take this opportunity of issuing a warning to those who represent the oil companies that if it is found that they take advantage of

the occasion of the passing of this Act to put up the price of diesel oil for use in engines, then they can expect no sympathy either from Government or from the House. (Applause.) That, Sir, is, as I say, the point that we shall have to watch, and it is one of the points on which we shall have to give information to the Committee, if a Committee, as I have proposed, is set up.

I entirely agree with what my friend, Mr. Jadhav, said that, if we had to deal with this problem by a system of refunds, that might not be very effective. There is going to be great difficulty about refunds, and, even if we agree to a system of refunds, if an ordinary consumer of oil wants to buy this class of oil which has already paid a very high duty, and to make it worth while he has got to go through the process of claiming a refund on that oil, I fully realise that it is not very likely that he will buy that oil and go through all the trouble of claiming a refund if there is an oil of comparable quality at a comparable price less refund, available in the market. I think we must be clear about it—that the effect of this measure will undoubtedly be to put a considerable break on the use of this particular kind of gas oil for use in engines. But we believe, as I have already said, that it will not appreciably hamper the man who wants to buy genuine diesel oil for his engine by putting up the price or by limiting the market in which he can supply himself with his needs. That is the point which, as I say, we shall have to watch. On those general grounds, I must oppose this amendment.

Mr. K. P. Thampan: In view of the speech of the Honourable Member, I beg leave of the House to withdraw my amendment.

The amendment was, by leave of the Assembly, withdrawn.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

“That clause 2 stand part of the Bill.”

The motion was adopted.

Clause 2 was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

“That clause 3 stand part of the Bill.”

The motion was adopted.

Clause 3 was added to the Bill.

Mr. M. Maswood Ahmad: Sir, I beg to move.

“That after clause 3 of the Bill, the following new clause be inserted:

3A. (i) The District Magistrate, or in the case of a Presidency Town, the Presidency Magistrate or any other person authorized by him in this behalf may issue licences to those who use this oil for running engines.

(ii) On presentation of the licence and after giving a receipt on a prescribed form, the *bona fide* user shall get the mineral oil mentioned in Item No. 40B of the Second Schedule to the Indian Tariff Act, 1894, at a reduced rate and this reduction shall be equal to the difference between the amount of the old taxation and the new taxation imposed by this Act.

(iii) The firm which shall sell the mineral oil under the provisions of sub-section (ii) of section 3A at a reduced rate shall, on the presentation of the receipt obtained from the *bona fide* user, get the refund.”

[Mr. M. Maswood Ahmad.]

In this connection I wish to say that this diesel oil is used in small engines which are used for agricultural and industrial purposes. At present there are four kinds of engines, the first kind being the petrol engines which are the simplest but too costly in running; the second kind of the engine is the kerosene oil engine which too is very costly in running; then comes the steam engine which is very cheap in running, but it cannot be used in villages, because it requires great supervision. Sir, then comes the diesel oil engines which are suitable for use in the villages. There cannot be two opinions that diesel oil is used in small engines and only these small engines are suitable for agricultural and small industrial purposes. This is what the Select Committee say:

"Oil is used to a considerable extent in small engines employed in connection with agricultural operations, and we would deprecate anything having the effect of enhancing the cost of fuel oil to people using it for industrial or agricultural purposes."

In principle, the Government have accepted that diesel oil, which will be used for fuel purposes, should be exempted, because I do not find any minute of dissent from the Members representing the Government in the Select Committee against that view. The report continues:

"We have been further assured that Government will carefully watch the situation with the object of checking whether developments are such as to indicate that genuine users of diesel oil for power purposes are being placed at an appreciable disadvantage by the operation of the Bill, and that if it were established that any substantial prejudice results to those requiring diesel oil for industrial or agricultural purposes, Government will consider it obligatory upon them to take steps to redress this result."

Government have also accepted that position just now and announced that a Committee would be formed which would watch the result. In this connection, I remember a verse in Urdu which is a very common one, and I want to remind the House and my Deputy Leader, Dr. Ziauddin Ahmad, as well, of it. The verse runs as follows:

*"Ham ne mana ke tagaful na karoge lekin
Khak ho jaenge ham tumko khabar hone tak."*

It means:

"It is true that you will not forget me; it is true that you will do something for me. But, by the time you will be aware of what is happening to me, I will be reduced to ashes."

By the time the Committee will watch and report to the Government, the agricultural interests will have been ruined in this country. In these days, when prices of everything have gone down, if the agriculturist has to get his diesel oil at a high price, it will not be possible for him to purchase the oil to run his engines, and to lift water from the well and irrigate the land. The same will happen to industries also. There is no other alternative, because the price of this diesel oil will go up—no doubt about that—and when the price of diesel oil will go up, the price of the heavy diesel oil will also go up. It is very natural that when the price of rice goes up, the price of wheat also goes up, because both the commodities are used.

Mr. Muhammad Yamin Khan (Agra Division: Muhammadan Rural): In order that my Honourable friend may get my support, will he give me figures to show that diesel oils are used for the production of wheat in this country?

Mr. M. Maswood Ahmad: Now-a-days diesel oil is very essential for the production of the agricultural commodities. I am very sorry that my Honourable friend does not know that these diesel oils are used in engines and that these engines are used for working the pumps which take water from the well, and that from that water the wheat areas are irrigated. My Honourable friend does not know even the A. B. C. of agriculture; he knows only how to go to the lobby with the Government. (Laughter.) It is said by Government that if the Bill will operate against the agriculturists, they will do something. What is my proposal? I propose that the District Magistrate will issue licences to those who have diesel oil engines. Men with such a licence will go to a shop and get the diesel oil at a cheaper rate. They will issue a certificate to the seller that they have purchased a certain quantity of diesel oil for the use of their engines. The seller will send the certificates to his firm and the firm will get a refund from the Government. I do not want that these refunds should be taken by the consumer himself, because it will be very difficult for poor consumers in the villages to go and get a refund on every occasion. Further, I do not want that the refund should remain in the pocket of the companies only; rather I want that it should go into the pockets of the poor consumers. If the cultivators and other consumers will not get these diesel oils at a cheaper rate, and only a refund is made to the companies, it will be of no use to the public. So I have provided how the refund will be paid. This amendment will come later. Sir, this is a most innocent amendment and I hope that my friend will accept this amendment. If they really and honestly want to help the agriculturist and do not intend to harass him, they have no alternative but to accept this amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That after clause 3 of the Bill, the following new clause be inserted:

3A. (i) The District Magistrate, or in the case of a Presidency Town, the Presidency Magistrate or any other person authorized by him in this behalf may issue licences to those who use this oil for running engines.

(ii) On presentation of the licence and after giving a receipt on a prescribed form, the *bona fide* user shall get the mineral oil mentioned in Item No. 40B of the Second Schedule to the Indian Tariff Act, 1894, at a reduced rate and this reduction shall be equal to the difference between the amount of the old taxation and the new taxation imposed by this Act.

(iii) The firm which shall sell the mineral oil under the provisions of sub-section (ii) of section 3A at a reduced rate shall, on the presentation of the receipt obtained from the *bona fide* user, get the refund."

Dr. Ziauddin Ahmad: This is the first motion in this Session moved by my friend, Mr. Maswood Ahmad.

Mr. M. Maswood Ahmad: I moved one about Karachi and Patna the other day.

Dr. Ziauddin Ahmad: That is only a bye amendment to another amendment. So we need not take note of it. This is the first substantial amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member must, therefore, support it?

Dr. Ziauddin Ahmad: I not only support, but I go further. I will remind the House of the story of a teacher to whom a parent handed over his son for instruction. After the instruction was given and the boy was taught the use of the sword, the boy took out the sword and tried to kill the teacher himself. The teacher was not killed. The parent was very angry and asked why the teacher did not allow himself to be killed, because it was the boy's first attempt.

Mr. Muhammad Yamin Khan: What relation do you stand in in this story?

Dr. Ziauddin Ahmad: The story ends there. This is a very sensible motion of Mr. Maswood Ahmad and I tell you how sensible it is. The Honourable the Finance Member has repeatedly said that the Finance Department has got the inherent power to remit taxes and to give rebates, but that the machinery which they have provided for giving rebates is very weak, unintelligible, antiquated and out of date. Mr. Maswood Ahmad by this motion has provided a very good machinery for giving information to the Finance Member so that the rebate may be given very easily and readily and I think the Honourable the Finance Member ought to be very thankful to Mr. Maswood Ahmad for the suggestions he has made. It will relieve the burden of his Department as there will be attested copies to show that the oil was used definitely for the purpose for which it was intended and that there will be no *golmal* about it. I hope this side of the House will support the motion not only on the ground that this is Mr. Maswood Ahmad's first motion, but also on the ground that it is a reasonable and a good one.

The Honourable Sir George Schuster: I always like to follow my Honourable friend's advice and I can go half-way with him. I can, without any hesitation, thank the Honourable Member who has moved this amendment for not having made any previous motion this Session, but I am afraid I cannot follow the second part of the programme he set out. It is not a grateful task, of course, to have to reject a maiden effort of any kind, and, even though this motion is rather a questionable "maiden", I still regret having to oppose it. I need not give him in any detail the grounds for that opposition, because I have already made my position perfectly clear. We cannot, in fact, commit ourselves to machinery of this kind without going very carefully into the whole position and we hope and believe that machinery of this kind will be unnecessary.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That after clause 3 of the Bill, the following new clause be inserted:

"3A. (i) The District Magistrate, or in the case of a Presidency Town, the Presidency Magistrate or any other person authorized by him in this behalf may issue licences to those who use this oil for running engines.

(ii) On presentation of the licence and after giving a receipt on a prescribed form, the *bona fide* user shall get the mineral oil mentioned in Item No. 40B of the Second

Schedule to the Indian Tariff Act, 1894, at a reduced rate and this reduction shall be equal to the difference between the amount of the old taxation and the new taxation imposed by this Act.

(iii) The firm which shall sell the mineral oil under the provisions of sub-section (ii) of section 3A at a reduced rate shall, on the presentation of the receipt obtained from the *bona fide* user, get the refund."

The motion was negatived.

Sardar Sant Singh: Sir, I move:

"That after clause 3 of the Bill, the following new clause be inserted:

'3A. To section 20 of the Sea Customs Act, 1878, the following proviso shall be added, namely:

Provided that no such duty under this Act falling within Items Nos. 40B and 41 shall be levied on Mineral Oil imported under contracts entered into by Importers before 7th November, 1933.'

Mr. President (The Honourable Sir Shannukham Chetty): Will the Honourable gentleman tell the Chair how his amendment is in order, because his amendment seeks to alter certain provisions of the Sea Customs Act, 1878, which is not now before the House.

Sardar Sant Singh: I was going to request you to permit me to alter the wording, as it is defective. The first part of this need not come in at all, and, instead of beginning with the proviso, if you will permit me, I may use different language which I have put down on paper which is with me . . .

Mr. President (The Honourable Sir Shannukham Chetty): The Chair regrets that without notice it cannot allow an amendment of that nature to be moved.

Sardar Sant Singh: Then I want to move the second item only—I will leave the draftsman to correct the language:

"That after clause 3 of the Bill, the following proviso be added:

'Provided that no such duty under this Act falling within Items Nos. 40B and 41 shall be levied on Mineral Oil imported under contracts entered into by Importers before . . . November, 1933.'

The Honourable Sir George Schuster: I submit, Sir, that a proviso must attach to some clause. My Honourable friend's alteration of this amendment will leave the proviso completely unattached.

Mr. President (The Honourable Sir Shannukham Chetty): Order, order. The Chair cannot help the Honourable Member, Sardar Sant Singh, in this particular amendment.

The question is:

"That clause 4 stand part of the Bill."

Dr. Ziauddin.

Dr. Ziauddin Ahmad: Sir, I move:

"That in clause 4 of the Bill, after clause (b) of sub-section (2) of the proposed section 195A, the following be added:

'(c) Classify different kinds of mineral oils according to their illuminating capacity'."

[Dr. Zinuddin Ahmad.]

Sir, sub-clause (2) of clause 4, provides (a) for the specification of the design, construction and materials of test lamps to be used for testing the burning properties of mineral oil in wick lamps and for the standardisation of such test lamps, and (b) provides for prescribing the manner in which and the persons by whom tests are to be carried out and the standards to be accepted for deciding whether any mineral oil is or is not suitable for use as an illuminant in wick lamps; and now I want to put in one more clause, just an enabling clause, for the classification of the different kinds of mineral oils according to their illuminating capacity:

'(c) Classify different kinds of mineral oils according to their illuminating capacity'."

Sir, if the intention of the Government is to classify such oils at some future date and to have investigations about it, then this enabling clause will give them the power to classify them if they choose to do so. It is not a binding clause, but merely an enabling clause. So, I hope, Government will welcome this particular clause.

Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in clause 4 of the Bill, after clause (b) of sub-section (2) of the proposed section 195A, the following be added:

'(c) Classify different kinds of mineral oils according to their illuminating capacity'."

The Honourable Sir George Schuster: Sir, I really am not quite clear what the purpose of this amendment is.

Mr. Gaya Prasad Singh: What is the illuminating capacity of this amendment? (Laughter.) That is exactly the point about which I have considerable doubt. My Honourable friend does not propose to remove the references to wick lamps in clause 4 (2) (a) and (b), and I submit that these two sub-clauses provide exactly what the new sub-clause will provide; and, on the ground that my Honourable friend's amendment is difficult to understand, and, so far as I have been able to understand it, unnecessary, I must oppose it.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in clause 4 of the Bill, after clause (b) of sub-section (2) of the proposed section 195A, the following be added:

'(c) Classify different kinds of mineral oils according to their illuminating capacity'."

The motion was negatived.

Clause 4 was added to the Bill.

Clause 1 was added to the Bill.

The Title and the Preamble were added to the Bill.

The Honourable Sir George Schuster: Sir, I move:

"That the Bill, as reported by the Select Committee, be passed."

I do not propose to make any speech on this occasion, because, I think, all that need be said on this measure has been said already, but there is one point to which I should like to refer and that is this. I gather from what has been said by Honourable Members, in the course of this debate, that my proposal for the appointment of a small Committee of the Legislature to help us in watching the effect of this measure is generally acceptable. That being so, I shall ask you to give me facilities to move a Resolution to that effect at the earliest possible opportunity.

Mr. President (The Honourable Sir Shanmukham Chetty): Motion moved:

"That the Bill further to amend the Indian Tariff Act, 1894, the Indian Finance Act, 1931, and the Sea Customs Act, 1878, for certain purposes, as reported by the Select Committee, be passed."

Mr. N. M. Joshi (Nominated Non-Official): Sir, I regret very much I cannot support this motion. I am very sorry I was not present in this House when the Bill was discussed on the motion for its being referred to a Select Committee. Not being also a member of the Select Committee to hear the debate and understand the spirit by which the members of the Select Committee were actuated in not opposing this measure, Sir, I have read the reports of the majority as well as of the minority, but I do not see much difference between the two. Both of them seem to accept the principle of the Bill.

Sir, I oppose this measure as being a taxation measure of a wrong principle. This is a measure which imposes taxation upon the poor people of this country, upon an article which is an absolute necessity of their daily life. I am rather opposed to the principle of kerosene itself being taxed, and, as this is a tax not on kerosene but on an oil which is used for illuminating purposes, I am opposed to this Bill.

Mr. President, I have heard certain statement made in this House in support of this measure. It has been said that, after all, when kerosene is taxed, the poor people will not get much benefit from leaving diesel oil, which is sometimes used by them, out of the scope of a taxation measure. It is true that, if kerosene is taxed, those people who deal in diesel oil will not get very much benefit; at the same time, nobody can deny that they will get some benefit; they are bound to get some benefit so long as there is competition. Now, we must remember that this oil trade all over the world, and not only in India, is tending to be monopolistic. If it had been a power in the hands of the Government, I would not have opposed a monopoly being formed. But, so long as the monopoly is in the hands of private capitalists, I think we must oppose it with all our might. If we can introduce some competition in this trade, it will certainly lead to the benefit of the consumers in this country. I am, therefore, opposed to the principle of this measure. It has also been said that concessions have been made by Government in the interests of the agriculturists whom my Honourable friend, Mr. James, represents. It may be true that there is a class of agriculturists whom Mr. James represents, but what is the number of those agriculturists in this country who are able to use oil engines for agricultural purposes. Their number can be counted by hundreds or thousands; they are not more than that. Certainly, their number is not large in any case. Therefore, when any concession is made

[Mr. N. M. Joshi.]

in favour of agriculturists, it really means a concession made in the interests of capitalists who deal in agriculture. I, therefore, think that we need not attach much importance to the concession made as regards the agriculturists.

Then, Sir, some Members made much of the concession that the Finance

4 P. M. Member has made by the appointment of a Committee. I do

not understand what this Committee will do. The Committee, after having accepted the principle, cannot help the consumers at all. I may be able to help a few people who purchase this oil by giving them some kind of concessions, but it cannot get rid of the taxation. Therefore, the appointment of the Committee is no real concession at all. I therefore, think that this measure should be for those people who care for the interests of the poor people in this country. Mr. President, I oppose this Bill.

Sirdar Harbans Singh Brar (East Punjab: Sikh): Mr. President, Mr. Joshi rose to oppose the passing of this Bill on the ground that the poor people are not helped by it. None of the Members who have spoken so far have shown in what way the masses or the real consumers will suffer by the passing of this Bill. If anybody will gain by the rejection of this Bill, it will be a few importers of the diesel oil and none else. Nobody has given figures as to the actual price that the consumer pays for this light diesel oil as compared to the red kerosene which he buys in the market. (Mr. Latchand Narabhai: "I gave those figures.") The figures which Mr. Latchand Narabhai quoted apparently referred to the wholesale prices for the light diesel oil and the red kerosene, and the difference between the two was two annas per gallon, which, considering the profits made by the wholesale dealers and the retail shopkeeper, will be reduced to one-hundredth or one-thousandth fraction of a pie when the peasant or the labourer in the field buys this light diesel oil in the village. So, it would not make the least difference, so far as the teeming millions are concerned, whose interests we are said to represent and we do represent. It is immaterial to us as to who imports this oil—whether it is an Indian Company or a European Company. So far as these people are concerned, whoever is resident in the country and whoever pays the tax, everybody has a right to deal in any trade or any profession. None of them will spare the poor agriculturist or the peasant when they sell their goods. They will try to make the most of it and exploit the interests of the masses for their own benefit. So, that being the case, I do not see why we should deprive the Government of such a large revenue by way of the imposition of this duty which is to be spent for the benefit of the masses and for the carrying on of the administration. I really was at a difficulty to begin with, because of the gentlemen on this side who were supporting the Bill, but, after considering the pros and cons and thinking that the ryot or the peasant or the masses do not in any way either benefit by the rejection of this Bill or suffer by the passing of it and by the passing of it the Exchequer gains such an enormous sum as 18 lakhs a year, I thought it best to support this Bill. Sir, it is our daily experience that the peasants always have to pay much higher prices than the urban people, because, due to their ignorance, the prices which they have to pay are almost in proportion to their ignorance. With these remarks, and considering that the interests of the masses are not in any way protected by the rejection of this Bill, I support it.

Mr. B. V. Jadhav: Sir, I rise to thank the Finance Member for the threat he has offered to the capitalist group that, in case they take advantage of the elimination of this light diesel oil and raise the price of the diesel oil, then Government will take very serious steps against them. This shows that the conscience of the Honourable Member is troubling him a little. He is convinced that the measure was in the interests ultimately of the Burma Oil Combine and that, as is their usual habit, they are sure to take advantage of the monopoly that they are likely to enjoy. I hope the threat will be taken to heart by the very people for whom it is intended and that Government will not have an opportunity of performing the other part of that threat if they like to take advantage of the elimination of the competition and raise their rates. Sir, we are beset by profiteers all round. The oil trade of Burma and Attock and Assam is in the hands of a combine who are bent upon getting as much profit as they can. On the other hand, there are other profiteers—the National Company—who are also profiteers in the same way and who want to have their hand in the pie. Therefore, they have started this importation of oil. I am no lover of them also, because they are equally profiteers. But, as is said, it is better to set a thief to catch a thief, so the competition between these two interests is to the ultimate profit of the poor ryots. If one agency is made powerless, then the other agency becomes more powerful and they will not fail to suck larger quantity of the ryot's blood. It is, therefore, necessary to preserve the other agency also; in order to keep the first profiteering agency in check. I appeal to the Honourable the Finance Member to preserve this even balance, because, in the case of these profiteers, it is much better to have the one working against the other, so that both will be kept in check and they will not suck as much blood as they would desire otherwise. Sir, I heartily support the third reading of the Bill.

Mr. President: (The Honourable Sir Shammukham Chetty): The question is:

"That the Bill, as reported by the Select Committee, be passed."

The "Ayes" have it.

Mr. K. P. Thampan: The "Noes" have it.

Mr. President (The Honourable Sir Shammukham Chetty): Those Honourable Members who are in favour of a division will please rise in their seats.

(A few Honourable Members stood in their seats.)

There is no general desire to have a division. The question is:

"That the Bill, as reported by the Select Committee, be passed."

The motion was adopted.

The Assembly then adjourned till Eleven of the Clock on Wednesday, the 13th December, 1933.

LEGISLATIVE ASSEMBLY.

Wednesday, 13th December, 1933.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

STATEMENT LAID ON THE TABLE.

The Honourable Sir Joseph Bhore (Member for Commerce and Railways): Sir, I lay on the table a statement giving details as to the imports of rice from Japan and other foreign countries in accordance with the promise given by me on the 29th November, 1933, in answer to a supplementary question by Diwan Bahadur A. Ramaswami Mudaliar, to starred question No. 1212 asked by Lala Rameshwar Prasad Bagla.

RICE SOLD TO INDIA BY JAPAN.

*1212. The following table shows the imports of rice (in tons) into India from foreign countries for the period 1st April to 21st November, 1933.

1933.	Siam.	Indo-China.	Japan.	Other countries.	Total.
April	0	562	4	6	572
May	100	766	6	18	890
June	0	1,018	4	8	1,030
July	100	1,245	5	4	1,354
August	150	152	4	2	308
September	1,401	2,714	4	0	4,119
October	5,761	698	54	0	6,513
November (up to 21st)	4,267	1,099	3	..	5,369
Total	11,779	8,254	84	38	20,155

2. It will be seen that in the past two months there has been an appreciable increase in imports from Siam. Nevertheless, the total imports show no great divergence from the total imports for the same period in the last two years, namely, 13,122 tons in 1931 and 22,244 tons in 1932. Nor do imports appear to be on a scale disproportionate to the total yearly imports in recent years as may be seen from the following statement :

Year.	Total imports (in tons) from foreign countries.
1927-28	42,527
1928-29	117,094
1929-30	4,989
1930-31	7,036
1931-32	17,804
1932-33	35,510

3. The figures of imports from foreign countries may be compared with the imports from Burma into Madras ports over the corresponding period. The Burma figures (in thousands of tons) are as follows :

— —	Paddy.	Cleaned Rice.	Broken Rice.	Others, including boiled.	Total.
1927-28 . . .	87	40	140	171	438
1928-29 . . .	98	28	85	164	375
1929-30 . . .	125	38	98	207	468
1930-31 . . .	110	40	85	235	470
1931-32 . . .	89	37	87	310	523
1932-33 . . .	..	..	..	..	500*
1933-34 (to date). . .	..	28	60	259	*This is an approximate figure. 347

4. That the imports of foreign rice have not adversely affected prices may be seen from the following table :

Table showing course of prices in Rangoon and Calcutta since April, 1933.

— — — — —	Big mills specials Rangoon (per 100 baskets of 75 lbs. each).	Bullam No. 1— Calcutta (per maund).
	Rs. a.	Rs. a.
2nd Week of April, 1933	150 0	2 12
Do. May, 1933	165 0	2 14
Do. June, 1933	170 0	3 5
Do. July, 1933	167 8	3 6
Do. August, 1933	165 0	3 6
Do. September, 1933	150 0	3 6
Do. October, 1933	147 8	3 6
Do. November, 1933	160 0	3 12
Last week of November, 1933	182 8	4 2

THE RESERVE BANK OF INDIA BILL.

Mr. President (The Honourable Sir Shammukham Chetty): The House will now resume consideration of the following amendment moved by Mr. Aravamudha Ayangar:

“That sub-clause (2) of clause 8 of the Bill be omitted.”

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions: Non-Muham-madan Rural): Sir, I am opposed to this motion moved by Mr. Aravamudha Ayangar, and I do not understand why Government are so very anxious to press this amendment. This is the only amendment that I see in the whole list which has been proposed on behalf of Government. In the Select Committee, I think, this was the only provision that was carried by the largest majority. With the exception of the two official members, all members of the Select Committee, including the two Honourable Members of the European Group, one from this Assembly and the other from the Upper House, supported this provision in the Bill. We did not claim any special wisdom, in suggesting this; we merely reproduced it from the South African Reserve Bank Act, and I think the main difficulty in the Select Committee was that we were under the impression that Government may have in their mind,—I do not mean the Government of India only, but also the Secretary of State,—some person who may be not only unacceptable to Indians, but may risk the entire Central Reserve Bank of India. And I think it was the Honourable the Finance Member himself who suggested that something on those lines might serve our purpose. It is not his exact language, but I think the suggestion came from Government for having some such provision that the Governor should have some practical banking experience, and by that means we could avoid many undesirable persons.

Sir, I do not know why we should not claim that the first Governor of the Bank should be a man having tested banking experience for a considerable period of time. At one stage of the Select Committee's deliberations, we agreed that the pay of the Governor should be ordinarily up to a maximum of Rs. 10,000, and, considering the contingencies, we suggested that it might be raised even to Rs. 15,000 a month if a really exceptional man could be had for any temporary period. When we are thus agreeable to pay the highest amount of salary that may be obtained anywhere in the world, why should we not claim that this particular Governor should not only be a man, who is well known in the financial world, but must also have banking experience? The only ground that has been suggested by my Honourable friend, Mr. Aravamudha Ayangar, in his very able speech, is that a man may be otherwise very able, but may not have banking experience. But I could not follow his argument very far. We do not say that the Governor should not be a financially experienced man, but what we claim is that, in addition to his other qualifications, it should be an essential qualification for the first Governor of the Reserve Bank that he must have practical experience of banking also. When we demand that he should have practical tested banking experience for a reasonable period of time, we never say that he should be merely a banking man. The high salary that we are agreeable to offer should attract the very best men in the whole world; and, if the House is agreeable to pay even Rs. 15,000 a month, why should we not claim that, in addition to his other qualifications, he should also be a really practical banking man? It is absurd to say that for the Governor of this Bank it should not be considered an essentially necessary element that he should have a practical experience of banking. I appreciate that this provision is necessary for the first period only, because subsequently the Governor will be appointed after consultation with the Directors of the Bank, and I am absolutely certain that they will always insist that the Governor of the

[Mr. S. C. Mitra.]

Bank should have practical banking experience. The issue may be made much clear if the Honourable the Finance Member can tell us even now whom they are thinking of as the first Governor. I really echo the sentiments of a large number of friends on this side that we have our apprehensions that Government may have a man in contemplation who may not be acceptable to India and who may put to a risk the whole Reserve Bank. The first choice should be very carefully made, and much of the opposition would subside if we could really know who is it that Government are thinking of. They must have their man, otherwise why should they be so particularly anxious that banking experience, which should certainly be essential for the first Governor, should be excluded from this clause? I could understand their argument if they had said that five years' experience should not be considered to be so essential and that a man falling short by six months or so should not be debarred from being a candidate. But, for the premier Bank of India, to have as the first Governor a man without practical experience of banking is really absurd and that makes us much more suspicious that Government must have made up their mind to appoint some man who has not got that experience and they are particularly trying to force their man on this Bank. These are the considerations which led us in the Select Committee as well to press for the retention of such a clause. I think the House will be agreeable, if necessary, to delete the portion about the five years' complete experience; but I find no reason why the first Governor should not be a man having practical banking experience.

Rai Bahadur Kunwar Raghubir Singh (Agra Division: Non-Muhammadan Rural): Sir, the other day we were discussing clause 8 of the Bill as framed by the Select Committee. At the outset, I must point out that I am opposed both to the insertion of the clause as put by the Select Committee as well as the amendment moved by my Honourable friend, Mr. Ayangar, because, sub-clause (2) which has been put by the Select Committee is too wide and vague. If it remains, it will limit the choice of those who will select the first Governor of the Reserve Bank, to a very narrow groove. For example, I will point out that Sir Purshotamdas Thakurdas, who has no tested banking experience, can be a very good Governor. Another case may be cited of a Director of a Co-Operative Bank. . . .

Diwan Bahadur A. Ramaswami Mudaliar (Madras City: Non-Muhammadan Urban): How does my Honourable friend make out that Sir Purshotamdas Thakurdas has not got tested banking experience? He has been Chairman of the Local Board of the Imperial Bank and a Director for several years.

Rai Bahadur Kunwar Raghubir Singh: It says here a man of "tested banking experience". It is not clear what is meant by the word "tested". That is what I am pointing out. Then, I gave another example of a Director of a Co-operative Bank who has been working on the Directorate of a District Co-Operative Bank for years; he may be said to have no tested banking experience. As I said just now, it is not clear what "tested" experience will mean, as there is no test just at present to define banking experience. There is the question of five years too that he should be a man having banking experience covering a period of not less than five years. This period may be too long or too short a period according to the different points of view. As I said about the amendment

moved by Mr. Ayangar, if the amendment is carried, then no qualifications will be given, and hence it will be an absurd proposition. So, as a *via media*, I suggest that in lieu of "tested banking experience of not less than five years", the words "practical banking or financial experience" be inserted. As Mr. Mitra has also pointed out, these wordings would meet with their objection also. If the Government are pleased to accept this, I hope, Sir, you will allow me to move it as an amendment: it will make the matter more simple and will not restrict the choice of those who will have to select the Governor and the field of choice will be wide enough, and you will restore confidence all round. This is what I suggest, Sir, with your permission.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair now proposes to ask Raja Bahadur Krishnamachariar and Mr. Chinoy to move their amendments, because the House must be given a chance of substituting certain words in sub-clause (2).

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): Might I suggest that at least Mr. Chinoy's amendment be postponed till we know the fate of this one?

Mr. President (The Honourable Sir Shanmukham Chetty): The result will be the same; but the discussion will be more comprehensive, and the Chair thinks it will help the House to take a decision on this amendment with greater confidence.

Sir Cowasji Jehangir: I respectfully submit for your consideration that Mr. Chinoy's amendment be postponed for discussion after a vote has been taken on this, and I think if you desire that there should be an understanding that the discussion on that amendment should be a very short one, I personally will abide by that understanding if you accept this suggestion.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair understands, probably the difficulty of the Honourable Member is that Mr. Chinoy is not in his place; in view of that situation and, for the sake of the convenience of the House, the Chair does not mind allowing the Honourable Member himself, as a very specific case, to move that amendment which stands in the name of Mr. Chinoy.

Raja Bahadur G. Krishnamachariar (Tanjore *cum*. Trichinopoly: Non-Muhammadan Rural): As a matter of information, Sir, supposing I move my amendment, have I got a right to speak on the amendment of the Government later?

Mr. President (The Honourable Sir Shanmukham Chetty): The procedure that the Chair proposes to follow is this: the Chair will ask Raja Bahadur Krishnamachariar to move his amendment; then it will ask Mr. Chinoy to move his amendment. In moving his amendment, the Raja Bahadur can make a speech in support of his amendment and also explaining the position arising out of the Government amendment, and then the discussion will be a comprehensive discussion on all the three amendments.

Mr. R. S. Sarma (Nominated Non-Official): Will he have the right of reply?

Mr. President (The Honourable Sir Shanmukham Chetty): The Mover of an amendment has never got a right of reply.

Mr. Muhammad Yamin Khan (Agra Division: Muhammadan Rural): May I ask whether it will not facilitate the discussion a great deal if you ask the Government to say "Yes" or "No" to the suggestion which has been made by my friend, Mr. Raghurib Singh?

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair cannot ask the Government to say anything; it is their look-out to get up at any stage.

The Honourable Sir George Schuster (Finance Member): If that is intended as a hint to me, Sir, I can explain Government's position on this matter. Our view is that it will be better to have no limitation at all; but we see no objection to the words that have been suggested by the Honourable Member who just spoke; that is a formula which we would be prepared to accept if that represents the general view of the House.

Raja Bahadur G. Krishnamachariar: Sir, would it be possible for you to allow me to speak later on?

Mr. President (The Honourable Sir Shanmukham Chetty): But the Honourable Member must move his amendment if he wants to do so.

Raja Bahadur G. Krishnamachariar: I do not object. I only asked if it would be possible at all: I do not object to comply with your ruling at all: I am quite prepared to obey, if you say I must move it now. I have no idea of defying your ruling—I merely wanted to know if it could be done.

Mr. President (The Honourable Sir Shanmukham Chetty): No: the Honourable Member should move the amendment now if he wants.

Raja Bahadur G. Krishnamachariar: I do not move my amendment.

Mr. Rahimtoola M. Chinoy (Bombay City: Muhammadan Urban): Mr. President, I beg to move:

"That in sub clause (2) of clause 8 of the Bill, the words 'covering a period of not less than five years' be omitted."

I am suggesting this by way of a compromise as against the original amendment moved by Mr. Ayangar.

It is unnecessary for me to make any lengthy observations in support of my amendment. My only object in moving this amendment is to make sure that we are not deprived of the services of eminent financiers with international reputation, who might admirably fill the position of the Governor of our Reserve Bank, but who might not satisfy the exact requirements of the provisions laid down. At the same time, I grant that it is very desirable to ensure a certain degree of banking knowledge and experience, and, for that purpose, the words I have deleted from this clause are unnecessary. The clause, as thus amended, is on all fours with the provisions to be found in the constitution of several Reserve Banks in other

parts of the world. It is possible that the time may come when we may find that the five years' requirement may operate against the appointment of some eminent Indian who may have all the qualifications required for the appointment except the actual banking experience of five years as laid down.

I venture to think that my amendment meets most of the objections of Government, and I hope they will accept it as a compromise.

Mr. President (The Honourable Sir Shanmukham Chetty): Further amendment moved:

"That in sub-clause (2) of clause 8 of the Bill, the words 'covering a period of not less than five years' be omitted."

Sir Cowasji Jehangir: Mr. President, this is the only amendment that Government will move on the Report

The Honourable Sir George Schuster: We have several other amendments.

Sir Cowasji Jehangir: Oh, there are surprises in store for us. At any rate, according to the minutes written by the two Government members of the Select Committee, this is the most important amendment to the Report of the Select Committee, and, therefore, perhaps the House ought to know why it is that Government were forced to disagree with us. I must candidly admit that the origin of this provision in the Select Committee's Report is due to considerable apprehensions in the minds of the commercial community of India with regard to the first appointment. Darne rumour has it that.

Mr. N. M. Joshi (Nominated Non-Official): Does the Indian commercial community want the first appointment for themselves?

Sir Cowasji Jehangir: I am afraid the Indian commercial community is on the brain of my friend, Mr. Joshi. I was hoping that his trip to England would have cured him of that.

At any rate, Sir, there is no question of the commercial community wanting this appointment to themselves, as the Committee would not have provided that the Governor should have tested banking experience. Well, Sir, as I was saying, it was due to the apprehensions of the commercial community that a man may be appointed who has not only had no banking experience, but who may come straight out of a Secretariat or a Government office.

Captain Sher Muhammad Khan Gakhar (Nominated Non-Official): Why a man? Why not a lady?

Sir Cowasji Jehangir: Who made that interruption?

Captain Sher Muhammad Khan Gakhar: I made that interruption.

Sir Cowasji Jehangir: Oh, the gallant soldier,—I can understand it.

The Honourable Sir Brojendra Mitter (Law Member): In legal phraseology, man includes a woman.

Sir Cowasji Jehangir: Interruptions of this sort are due to ignorance, and so we shall not complain, because they come from a gallant soldier. At any rate, Mr. President, that was the apprehension in the minds of the commercial community, and those apprehensions have found their echo in this provision in the Select Committee's Report, but, as my friend, Mr. Mitra, pointed out, we did not invent this phrase of "tested banking experience"; we took it straight out of an Act which, we were given to understand in England, was the last word in the Central Banking legislation. It is the South African Reserve Bank Act, and in it you will find these words "the Governor shall have tested banking experience". My Honourable friend, Mr. Chinoy, has moved an amendment omitting the words "five years", and, if that amendment is accepted by Government, then the words will be exactly the words included in the South African Act, and I will be revealing no secret when I tell this House that the financier, the expert in Central Banking who was responsible for the South African Act to a great extent, was a member of our Committee in London.—may I say with due deference to my friend, the Finance Member, who was also a member,—that the gentleman I was referring to was perhaps the most prominent and the most important member of our Committee on whose advice, on whose opinions we laid the greatest importance --I mean Sir Henry Strakosch.

An Honourable Member: We never discussed it in England.

The Honourable Sir George Schuster: Has my friend any authority for saying that Sir Henry Strakosch was responsible for this particular clause?

Sir Cowasji Jehangir: None whatsoever. I did not say so. What I said was that Sir Henry Strakosch was supposed to have been the guide, philosopher and friend of those who drafted the South African Act; beyond that I go no further. But I have further proof that we are doing nothing very reckless. The House may perhaps be aware of a Committee having been very lately appointed, with Lord Macmillan as its Chairman, to advise Canada on the establishment of a Central Bank for that country. The Report has been published. Unfortunately it is not available in Delhi. I understand it arrived in Bombay by the last mail, and I have been authorised to state by those who have read it in Bombay that a similar provision has been recommended by Lord Macmillan's Committee for the Canadian Reserve Bank which is to come into existence. I cannot bring a more forcible argument before this House for the provision as drafted by the Select Committee. If two Committees, if two duly constituted bodies to advise on the establishment of Reserve Banks in two parts of the Empire include these words, who are we, Mr. President, and who is Government, to say that we should not include them in our Act, and, if my facts are correct that Lord Macmillan's Committee for Canada, which has just reported, has advised that the Canadian Act, which is still to be drafted and passed, should have this qualification for the appointment of its Governor, there must be some wisdom in that provision. Now, my friend who moved this amendment on behalf of the Government, if I may say so, has only given us two arguments against the inclusion of this qualification and in support of his amendment. Firstly, he said that the wording was vague. I deny that allegation. If it is vague, I can only say that we are in very good company. There is an Act already in existence with that vague phraseology. That phraseology has been recommended by a Committee with a well known expert, Lord Macmillan, as

its Chairman, and that Committee sat only a short time ago. But why is it vague? "Tested banking experience" surely can be decided by anybody who has ordinary common sense. I quite realise that there may be difficulties sometimes, and it is not the intention of anybody on this side of the House that this phrase should ever be taken to a court of law to decide its interpretation, and if this accusation of vagueness can be met by a suggestion that I will make, I for one would have no objection to including the following words:

"After the word 'unless' add the words 'in the opinion of the Governor General in Council and the Central Board'."

It will then read as follows:

"No person shall be appointed a Governor unless, in the opinion of the Governor General in Council and the Central Board, he is a person of tested banking experience "

Therefore, we will leave it to the Governor General in Council and the Central Board to decide what is tested banking experience and their word will be final.

Raja Bahadur G. Krishnamachariar: If they differ in their opinion?

Sir Cowasji Jehangir: My Honourable friend talks of differing, but, if he would read the Bill a little more carefully, he will see that the ultimate decision is in the hands of the Governor General in Council.

Raja Bahadur G. Krishnamachariar: I am sorry to interrupt the Honourable Member, because he suggests that I have not read the Bill carefully. I may say I did it with some diligence, and I want to know in what provision this new suggestion of his is to be found that the Governor General in Council has got the powers which he says he has?

Sir Cowasji Jehangir: I have not followed the Honourable Member.

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member may proceed with his speech.

Sir Cowasji Jehangir: The other objection that my Honourable friend from the Government Benches had was that, for the appointment of the Governor of this Bank, it was not essential to have banking experience. (*An Honourable Member:* "A new theory". As far as I understood my Honourable friend, what he stated was that banking experience might be a very good thing, but that it was not absolutely essential in the appointment of the Governor of the Reserve Bank, and therefore, why put in a qualification which was not essential and which might preclude in the future the appointment of a man worthy of being the Governor but who might not have five years' tested banking experience. I quite understand that argument. It is possible that there are many—I won't say very many, or hundreds and thousands, but there may be five or six, after all men with experience of this sort are very few and far between, there may be some, I can mention one or two well known names in the financial world who would be very worthy Governors of the Reserve Bank, who may not have had actual five years of tested banking experience. That is perfectly true. But we are in a peculiar position. The peculiar position in which we are is that this appointment in the first instance is to be made by the

[Sir Cowasji Jehangir.]

Governor General in Council, and we very well know that the Governor General in Council in this case will be the Secretary of State. I mean no insult to my Honourable friends on the opposite Benches, but that is the Constitution. According to the Constitution, they are merely agents in India of the Secretary of State, and, whatever powers they may exercise, they only exercise at his dictation or by his indulgence. And, in this matter, I am confident that there will not be very much indulgence. Therefore, this appointment will be made by the Secretary of State and we do desire to preclude from this first appointment any officer of the Government. We are of opinion and very strongly of opinion that at no time should the Governor of this Bank come straight out of a Government office.

Mr. B. V. Jadhav (Bombay Central Division: Non-Muhammadian Rural): Not even Sir Malcolm Hailey?

Mr. N. M. Joshi: Why?

Sir Cowasji Jehangir: I will tell you why. My Honourable friend has once been a Government servant. Who said, why? I thought it came from that direction. It is very difficult to make out where the voice came from. Because Government servants do get into a certain groove. However able and brilliant they may be, they cannot possibly help it, they do get rather stale, and we do not want a man who has had experience of only a Government office to take charge of this Bank. Personally I would not object to a Government servant, whether he be from the Government offices in England or the Secretariats in this country, being appointed, provided he had a break of at least five years in that service; for at least five years he should be out of Government office, out of this red-tapism, out of this groove into which they get, out of that system which makes their visions narrow, which clouds their horizon. If at least for five years they have got out of this groove, some of them will be most worthy of being the Managers and Governors of the Reserve Bank of the future. Therefore, the words "five years" were inserted. For at least five years the Government servant would be forced to leave Government service. We have not made this provision for the Deputy Governors, and it was deliberately done. It was to enable Government servants to serve for five years in the Reserve Bank as Deputy Governors and then to step into the shoes of the Governor. That five years in the Reserve Bank will serve to have that break in Government service which is so necessary in our humble opinion. Sir, I have shown that we have exceptionally good precedents, the South African Act, and much more, Lord Macmillan's Committee's report, a copy of which I have not seen, but which, I have full authority to say, includes this provision.

The Honourable Sir George Schuster: Exactly the same language?

Sir Cowasji Jehangir: Yes, tested banking experience, most probably taken from the South African Act. We took it from that, and there is no reason why they should not. They were a Committee considering this matter and probably they had this Act and many more Acts than we had before us.

Sardar Sant Singh (West Punjab: Sikh): Are you sure that they did not take it from our report?

Sir Cowasji Jehangir: They had reported before us, but if they had reported after us, we should have claimed the credit. At any rate, Sir, I do believe that this will give considerable confidence to the public and if, in the future, an occasion does arise when a first class man is available for this post who does not fulfil these qualifications what is there to prevent Government coming with an amending Act? I am sure, the House would readily agree in the future to amend the Act so as to enable the Central Board and Government to have this man, but, under present conditions and in present circumstances, we on this side of the House are forced to back up the Select Committee's report with all the force that is in us, which may not be very great, but we do so fully believing that we are acting in the best interests of the future Bank, believing that, if any mistake is made in this direction by the Government in England, it will be a mistake of a colossal nature which will start the Bank on a hopeless foundation with prejudice against it which is hard to kill. To prevent this, we have included this provision and, Mr. President, I must repeat what has been said that it is difficult to understand why Government should object so strongly. We are prepared to make two changes. One is the one that I have suggested, leaving it to the Governor General and the Central Board to decide what is tested banking experience and the other is to leave out the words "five years" and, if those two amendments to the provisions of the Bill, as it is presented to the House, do not satisfy Government, then it will be said with some justification that we have some foundation for our apprehensions. We have gone as far as we could to meet Government and, at the same time, satisfy public opinion. I trust that Government will see their way to accept those two amendments. We have gone as far as we can. If they are not acceptable, then we will do our best to beg of this House to accept the provisions of the Select Committee's report.

Mr. President (The Honourable Sir Shammukham Chetty): The Chair has just got notice of an amendment by Mr. Raghunir Singh saying that for the words "tested banking experience covering a period of not less than five years" the words "of practical banking or financial experience" be inserted. The Chair does not know if the House wants to discuss that amendment, but it would strongly deprecate the handing in of last moment notices of amendments of this nature. The Chair must first find out whether anybody objects to this amendment for want of two days' notice. (*Some Honourable Members:* "We object".) Then the Chair cannot allow this amendment to be moved.

Mr. Gaya Prasad Singh (Muzaffarpore *cum* Champaran: Non-Muham-madan): Sir, during the last three weeks that we have been discussing this Bill, it was the privilege of the Honourable the Finance Member to stand up and support the Majority Report of the Joint Select Committee, and, from the way he supported that report, it appeared as if the majority of the members of that Joint Committee were the embodiment of wisdom on that subject.

The Honourable Sir George Schuster: Exceptions prove the rule.

Mr. Gaya Prasad Singh: But so far as the present amendment is concerned, the facts are reversed. It is now our privilege to stand up in support of the Majority Report of the Joint Select Committee, and it is now left

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to the Government to throw overboard what the majority in the Joint Select Committee have done. It will be seen from the report on this Bill that with the exception of the two Government members, I mean the Honourable the Finance Member and Mr. Taylor, all of us, numbering about 26, supported, including the European members, the inclusion of sub-clause (2) which is under consideration. It will, therefore, be seen that we have got full amount of support even in the Joint Select Committee which consisted of about 14 members from the other House. Now, the reason for the insertion of sub-clause (2) has been very clearly set forth in the report of the Committee itself. With your permission, Sir, I shall read one short paragraph from it:

"Clause 8, sub-clause (1) (a).—We consider that one of the most vital points affecting the successful operation of the Bank will be the personality and qualifications of the Governor. It is in our view essential that he should be a man who will command the confidence of the public generally and particularly of banking and commercial circles, so that the policy of the Bank which will largely depend on his guidance, may be accepted as authoritative. We do not consider that these conditions will be fulfilled unless he is a man who has established a position in the business world and we have therefore recommended the insertion of a provision in a new sub-clause (2), to cover appointments made both under clause 8 and clause 15, that he must be a man 'of tested banking experience covering a period of at least five years'."

The report goes on to discuss the objection of Government to the insertion of this clause, and lastly it says:

"We think it necessary definitely to provide in the Statute for the exclusion of certain types of appointment which we should consider undesirable, and we are prepared to face the necessity for amending legislation in the event of our words proving in practice to be unduly hampering."

Now, without disclosing any secret of what transpired in the Joint Select Committee, I might be permitted to say that many of us were obsessed with the feeling that Government had made up their mind in making a certain appointment as Governor of the Bank, and we wanted to preclude the possibility of his appointment.

The Honourable Sir George Schuster: I can assure my Honourable friend that Government have not made up their minds.

Mr. Gaya Prasad Singh: The Honourable Member said so and I certainly accepted it, but there is this Government of India which is a subordinate branch of the British administration in London, and I should like to know whether my friend would get up and say that the Secretary of State for India has not made up his mind with regard to the appointment of a particular person.

The Honourable Sir George Schuster: I have already given an assurance on that point.

Mr. Gaya Prasad Singh: I am glad to have this statement from my Honourable friend. If this is so, if Government have not under consideration the appointment of a particular gentleman or of a particular class of person, why should they be anxious to oppose the retention of this particular clause? (Hear, hear.) As has already been stated by previous speakers, we have not invented this expression of "tested banking experience": it occurs in the South African Reserve Bank Act and, as has been pointed out by

my Honourable friend, Sir Cowasji Jehangir, it finds a place in the new Central Bank which is going to be established in Canada. What, after all, is the objection to this phrase which is like a bugbear to the official Members,—"tested banking experience"? That is a very innocent phrase, and it ought to be applicable to quite a number of persons who may be held to be eligible for holding this appointment. With regard to the amendment of my friend, Mr. Raghbir Singh, it has not been admitted; so I need not say anything about it. It was a vague and indefinite amendment, and it was right that the House has not given permission to that amendment to be moved. With regard to the amendment of my friend, Mr. Chinoy, I must say, it is an improvement though it will, to a certain extent, detract from the importance which we attach to the insertion of this particular sub-clause as it stands, and I am not very enthusiastic about Mr. Chinoy's amendment also. I would like to let this sub-clause stand as it is. As I have already pointed out, the Joint Select Committee had about fourteen Members of the Council of State . . .

Sir Cowasji Jehangir: May I point out that the amendment moved by Mr. Chinoy is really a compromise amendment. If Government accept both these suggestions and withdraw their amendment, then Mr. Chinoy's amendment is useful; but if Government carry their amendment, then Mr. Chinoy's amendment goes. If Government lose the division, Mr. Chinoy's amendment also goes. It is only if Government accept both these suggestions that Mr. Chinoy's amendment can be of any use.

Mr. Gaya Prasad Singh: It would, under the circumstances, be profitable to the House if the Government were to make up their minds and state whether they are prepared to accept Mr. Chinoy's amendment or not. That might curtail the scope of the discussion over the Bill, and I would request my Honourable friend, the Finance Member, to let us know this, because, if that amendment of Mr. Chinoy is not accepted, we might proceed on the footing of the sub-clause as it stands in the Bill.

The Honourable Sir George Schuster: Sir, if it is any help to my Honourable friend, I can tell him at once that we are not prepared to accept Mr. Chinoy's amendment, but as I have been asked to make that point clear, I should like to know from you what the position is. The Honourable the Leader of the Independent Party has apparently given a ruling that, if the Government press their amendment, Mr. Chinoy's amendment will not be put to the vote. I should like to know from you, Sir, what the position is.

Mr. President (The Honourable Sir Shanmukham Chetty): The Government amendment is that sub-clause (2) of clause 8 of the Bill be omitted. The form in which the question on that amendment will be put to the House will be like this:

"That the words in sub-clause (2) of clause 8 of the Bill, from the beginning to the end thereof, be omitted."

Now, if those words are omitted, then Mr. Chinoy's amendment automatically goes out, because there are no words left, but, if the Government amendment is defeated, then Mr. Chinoy's amendment will be put to the vote.

Mr. Gaya Prasad Singh: I hope the amendment of the Government will be defeated. Sir, it would be very uncomplimentary to this House to throw overboard the Majority Report of the Joint Select Committee on which all the parties in this House were represented—the members of the Independent Party, the members of the Nationalist Party, the members of the Democratic Party and the members of the European Group as well as the members of the United India Party, and the Centre Party. The whole non-official side was united over the insertion of this particular clause, and, as I gather from the report, the Members of the Council of State were also unanimous on the insertion of this clause; and the very fact that the Government are anxious to delete this sub-clause creates some suspicion in our mind as to their *bona fides* in this matter. Of course it will not go so far as to say that they have received instructions from the Secretary of State to oppose this sub-clause but from the fact that they are not willing to accept even this very minor amendment proposed by my Honourable friend, Mr. Chinnoy, I am left to wonder as to the motive of the Government, and it would be rather derogatory to the House if this amendment of the Government is carried and the overwhelming majority of the recommendations on this point of the Joint Select Committee are thrown overboard.

Diwan Bahadur A. Ramaswami Mudaliar: Sir, I consider that this amendment of the Government is of considerable importance to this side of the House. I regret that the Government should have come forward to move this amendment. It is a pity that an attempt is being made to wear down the opposition, if I may say so, and to put forward these amendments in spite of the clear realization of the fact by the Finance Member that the unanimous opinion of the non-official members of the Select Committee was in favour of it. I had hoped that the note of dissent which my Honourable friend appended to the Majority Report of the Select Committee would have led him to feel that thereby he had done his duty and no further action was necessary. Sir, I am anxious to press on the attention of this House the fact that every party that was represented on the Select Committee was in favour of this amendment, and I am anxious that my Honourable friend, Sir Leslie Hudson, the Leader of the European Group, should bear that fact particularly in mind and that his Group should now be enlightened on the reasons why he supported this amendment in the Select Committee. I should be very much surprised if on this occasion they are asked to take a line different from that enlightened line which the Leader of the European Group took in the Select Committee.

Now my Honourable friend, the Mover of this amendment, rather overstated his case. If I followed his speech aright, he said that those who had banking experience—that is, joint-stock banking experience if I might correct myself—were not quite as good; he went so far as to say that their vision was cribbed, cabined and confined, and that they moved in narrow groove. The logic of the argument was that anybody who had banking experience ought not to be appointed Governor of the Reserve Bank. Sir Cowasji Jehangir did him an injustice when he said that what he said was that those who had banking experience were not necessary. My Honourable friend, Mr. Ayangar, went further; he said that they would be clogs in the wheel, that they would hamper progress, that their vision was narrow and that, with their narrow view of commercial banking, they could not reach that high altitude from which, as Governors of the Reserve Bank, they would have to manage the destinies of this country.

Mr. Muhammad Azhar Ali (Lucknow and Fyzabad Divisions: Muhammadan Rural): I hope the Honourable the Leader of the United India Party also will enlighten us on the reasons which led him to support the others in this amendment at the Select Committee stage.

Diwan Bahadur A. Rameswami Mudaliar: My Honourable friend, the Finance Member, was very keen on one aspect in the setting up of this Reserve Bank. He said, the commercial community and the business world in this country must have perfect confidence in that Bank. He said it was essential that commercial and banking opinion should feel that this Bank was in the interests of banking and commerce and that those interests should co-operate in the setting up of this Bank. I would ask my Honourable friend whether he is not by now satisfied that the overwhelming opinion in commercial and banking circles will be satisfied only if a Governor with banking experience is appointed. If that is so, why is he going back on such an important provision. The Governor of the Bank will occupy a pivotal position from which all the activities of the Bank will be judged. The Directors are there upto a certain stage and can go no farther than that. It is the Governor of the Bank who will hold the key position. That is why we on this side of the

12 Noon. House are anxious that that Governor should be a man who commands the confidence of the Indian commercial community. I come to the European commercial community, to the public opinion of financial and commercial circles in England. Can the Honourable the Finance Member suggest for a moment that the commercial and financial circles in England, the Bank of England and the City of London, would be shocked if we were to introduce a provision that the Governor of the Central Bank should be a man of banking experience? Dare he suggest any such thing? He knows perfectly well that he cannot. Somebody sitting in a dark room in Whitehall, but not the Secretary of State, may suggest that this is an unnecessary qualification. But I challenge him to tell me the name of any banker in England who would say that this qualification is unnecessary. Opinion has been tending towards the position that the South African Government has taken and which Lord Macmillan took in the report about the Canadian Central Bank. They are all more and more anxious that the Governor should be in close touch and co-operation with the commercial banks and, therefore, banking experience on the part of the Governor will be a very good asset for him to command the confidence of the commercial banks. Take the question of financial experience. If my Honourable friend suggests banking or financial experience, it merely means that a man with financial experience may also be appointed and a man who has not got banking experience may also be appointed. I cannot conceive how a man, who has neither banking experience nor financial experience, can ever be appointed as a Governor of the Bank. I hope that my friend, the Leader of the United India Party will explain the conundrum to this House how a man, who has neither banking experience, nor financial experience, can ever be thought of by any person who is out of bedlam to be a fit man for the post of Governor of a Central Bank? Therefore, when the alternative was put before the House, we were right in thinking that it was a perfectly frivolous amendment. It was vague and impractical and it was absolutely no use asking this House to consider the position seriously from that stand point. My Honourable friend suggested that if the clause regarding banking experience is there, it would considerably hamper selection. My Honourable friend has not

[Diwan Bahadur A. Ramaswami Mudaliar.]

realised the wide choice that has been given under this Act. The Governor of the Central Bank can be any person of any nationality wherever it may exist in the whole world. We have prescribed qualifications for the shareholders and they must be of a particular kind; they must be resident in this country. But we have prescribed no qualification whatsoever for the appointment of the Governor of the Central Bank. He may be a Czecho-Slovakian, he may be an Armenian, he may be a German, he may belong to De Valera's Irish Free State, he may be of any nationality. We have not prescribed that he should be a resident of India. With this wide choice, does the Honourable the Finance Member suggest that this qualification of banking experience will be of such a nature that it will restrict the selection? In the South African Act, they not only prescribe that he must be a man of tested banking experience, but they have prescribed that he must belong to British nationality and must be resident in South Africa. I ask my Honourable friend to consider how little places can evolve a system under which they can find a Governor of that experience for their Central Bank. For the Czecho-Slovakian Central Bank, the Governor must be a Czecho-Slovak. The Rumanian law says that the Governor must be a natural domiciled subject of Rumania. They try to have a Belgian for the Belgian Central Bank. A man of Peru for the Peru Central Bank, and a man from Chili for the Chili Central Bank. These people are able to find a man fit for holding the position of a Governor of the Central Bank from amongst themselves. Now, we come to our Governor who can be chosen from all over the known world, he can be chosen from any part of the British Empire and outside the British Empire. The one qualification that the Joint Select Committee unanimously insisted on, from Sir Leslie Hudson—I will not say downwards—but right up to everybody else in this House, I mean the non-official Members,—is that this qualification should be put in. Now, my Honourable friend, the Finance Member, says that if this is done, the freedom in the matter of selection goes. He thinks that this matter is so vital that he would rather not have this clause at all. Therefore, he must move this amendment. Now, I would like to ask my Honourable friend if he realises the objection of the banking and commercial community. My Honourable friend knows that his Department has come in for considerable criticism for the way in which they have been managing the currency policy in this country during the last ten years. Every banker and every commercial man has criticised the policy of this Government. Much of this work is going to be done by the Governor of the Central Bank. The note-issue will be in his hands, the currency policy will be in his hands and, therefore, they say that we must not have a member of the Bureaucracy as the Currency Officer of the Government of India as has been the case heretofore. We must have a man with banking experience and a man who is in touch with the banking world. This man must be a member of the banking world so that he may discharge his duties in the interests of the commercial community.

Captain Sher Muhammad Khan Gakhar: What about the period of five years?

Diwan Bahadur A. Ramaswami Mudaliar: I wish my Honourable friend, the Finance Member, had asked me that question and then I would have replied to him. It is no use replying to my Honourable friend.

Will my Honourable friend agree to this that he will vote down this amendment of the Government and then support us if we drop the period of five years? I am willing to take that sporting chance with my Honourable friend who is also a gallant Member.

Now, Sir, I suggest that it will be a travesty of all understood procedure if the opinion of Honourable Members and the Leaders of Parties, who have been parties to this suggestion in the Select Committee, were to be thrown overboard without any reason and if this House were to accept the amendment which has been moved by the Honourable Member on behalf of the Government? It will do no good. It will merely be an irritating amendment if I may say so. I consider that it will merely upset those interests which the Honourable the Finance Member himself is so anxious to reconcile. It will create suspicion in the minds of those whom he wants to regiment on his side and whose authority and support and goodwill he wants. Does my Honourable friend really suggest that this amendment is of so grave a character that he can take the risk of antagonising the forces on this side of the House? If he thinks that his hands are tied, then let it be decided by the overwhelming opinion of this House. Let the clause be there. The Honourable Member then has a chance of going to the Council of State. Let him, in the meanwhile, consult those who are against this amendment. If he still feels that his hands are forced, let him have this amendment moved in the Council of State and come back to this House for ratification. I suggest that those who are advising him may not know the strength of the feeling with respect to this matter and may not have appreciated the position. We want to give another chance to these people if there are any behind the Honourable the Finance Member. We want to give them another chance of appreciating this position and of realising the kind of unanimity that there is with regard to it. I still venture to hope that all my friends will stand by the position that they took up in the Select Committee. If he finds that all this united evidence has been insufficient and that people want to stick to this particular amendment, then he will have another chance in the Council of State and then he can come back to this Assembly. Otherwise, I feel that this House will be stultifying itself and I am sure, the Honourable the Finance Member will be stultifying himself if he presses this amendment.

Raja Bahadur G. Krishnamachariar: Sir, it is always a disadvantage to follow such a distinguished orator as my friend, Diwan Bahadur Mudaliar, and with all the deficiencies that I have to which one has been added today, namely, that I have not studied this Bill at all, I do crave the indulgence of the House to make a few observations. In the first place, it is somewhat difficult for me to understand what the principle is upon which this amendment was brought into the Bill and what is it that has lashed our friends on the other side of the House into such a great excitement that they think that, unless this clause stands in the Bill, the Heavens would fall. I have never been able to understand what it is. So far as I can see, there is no question of principle involved, and there is not going to be any difficulty whatsoever. Before I go to that argument, there is one little point that I wish to be cleared. My Honourable friend, Mr. Gaya Prasad Singh,—I hope I am not misrepresenting him—and my Honourable friend, Mr. Mudaliar, with all his insight into legislative

[Raja Bahadur G. Krishnamachariar.]

and parliamentary practice, stated that if the majority conclusion of the Select Committee was not upheld by this House, this House would be stultifying itself. Sir, this is a vicious principle against which I want to protest.

Diwan Bahadur A. Ramaswami Mudaliar: I said that the unanimous recommendation of the Select Committee of non-official Members may be accepted by the House unless there are very grave reasons.

Raja Bahadur G. Krishnamachariar: Did the Honourable Member say that this House is going to stultify itself because it did not agree with the majority? If so, where is he going to dovetail it if not in the way suggested by me? Is the majority always correct? Sir, we knew that the scientific world was worried with the problem of the living fish weighing more than a dead fish for three centuries and the scientists of the world tried to find out what was the cause, but they could not arrive at a satisfactory decision, until at last a layman like myself said: "We will first weigh the thing and see if it is all right before we come to find out the reason". They did weight and found that the premises were wrong and they fell to the ground. Therefore, I am not at all convinced of the wisdom of the majority. "They are slaves who dare not be in the right with two or three." I say, Sir, that, so far as the principle enunciated is concerned, if it is the idea that whenever the majority of the members of a Select Committee arrive at a conclusion, under no circumstances should you go against it and if you do, you will be stultifying yourself, that is a principle to which no one, who knows anything about the Select Committee procedure, would agree. It has been stated that this Bill has got the unanimous support, of whom? I thought that India consisted of 95 per cent. agriculturists and that the commercial interest was only a negligible quantity. All my Honourable friends who have hitherto spoken said that the commercial community was behind them. Is it to safeguard the interest of the commercial community that you are constituting this Reserve Bank? Where do the agriculturists come in? I contribute the largest amount of money, and the commercial community exploits me and I know these commercial gentlemen make money which sometimes remains in the country and sometimes it goes out. It is an unfortunate position that I with all the Members of my community—I am not talking here of the Brahman community, but of the agricultural community,—it is unfortunate that we should be left alone. I respectfully ask, what happened in this debate during the last four or five days? I do not profess to be a great politician or one who is in touch with the current political problems of the world, but I believe, in season and out of season, by questions and resolutions and amendments of Acts, time after time, we have always been insisting that there should be legislative provision in regard to the appointment of Indians. A poor man like myself, without the stormy eloquence of my Honourable friend, Sir Cowasji Jehangir, or the stately well-balanced periods of my Honourable friend, Mr. Mudaliar, or the moving eloquence, in right Parliamentary fashion, of my Honourable friend, Mr. Ranga Iyer, I tried to induce my Honourable friends at least on this side of the House to agree upon the important principle that, where a question of appointment is involved, you must have an Indian. I tried to induce them to agree with me. No one can deny that it is not a question of principle.

You may or may not agree whether it is advisable to put it in. But you must agree that it is an important question containing a vital principle so far as India is concerned. No one can deny that. Yet what did I find? I had been looking at them most piteously when I was speaking and asked my Honourable friends for their support. But, Sir, neither appeal to their sense of justice nor appeal to their sense of pity for the poor man would induce them to accept, what? I do not want it at all, I am a poor man, I know I belong to the depressed community, I did not want them to support me, but I wanted them to support this vital principle.

Sardar Sant Singh: Do you want to cut your nose to spite your face?

Raja Bahadur G. Krishnamachariar: My Honourable friend, Sardar Sant Singh, must know that he allowed us to be defeated the other day by his absence, because we certainly would have won if he had remained in his seat without going out buying motor cars or taking motor trials. Let my Honourable friend have a little patience and allow me to go on and then say whether I am cutting my nose to spite my face. I am only trying to bring these gentlemen, who seem to have lost their heads over the majority of the Select Committee report, back to their senses and to a correct perspective of the position. That is what I am trying to do. After all, the position is this. Not having admitted questions of vital principle, my Honourable friend, Mr. Mudaliar, now says, this is the most important amendment so far as this side of the House is concerned. I too belong to this side, but it seems to me before I can agree to this thing as being of vital interest to this part of the House, I shall try to put forward my objection and I have got to see if those Honourable Members who would follow me would convince me of the incorrectness of my position. I am not one of those persons who assume infallibility, I am not one of those who having made up their minds would not even care to look at the suggestions of other Honourable Members, but I am quite open to conviction until the last moment. So, what is the position? This is an important amendment for two reasons. South Africa, unfortunately, never had a good odour amongst us on this side of the House and what South Africans do, we do not agree with. We always fight them inch by inch, but today the South African Government and the South African people have been held up as an example to follow. Sir, even if they were right, I am not going to follow the South Africans, because there must be something behind it all. Sir, a very distinguished politician, who is now no more and who had the unique distinction of being called by the English people "honest John", said, when we were asking for reforms: "Do not ask for the fur-coat". Sir, I believe the fur-coat is used more in Canada than anywhere else.

Sir Cowasji Jehangir: Has the Honourable Member come down to arguments of this sort?

Raja Bahadur G. Krishnamachariar: Unfortunately we are not all of us on the same level of intelligence. Some persons have got some sort of argument which may be very useless, but I am glad that my Honourable friend has at least accepted mine as an argument, it may be a good argument or it may be a bad argument. That is quite different. It all depends upon our training and the grade of intelligence that we have attained. When I asked my Honourable friend what would happen if there

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is a difference between the Central Board and the Governor General, he asked me to go and read the Bill. His suggestion was that the Governor General with the concurrence of the Central Board . . .

Sir Cowasji Jehangir: May I point out to my Honourable friend that it is not "with the concurrence of" under the Bill. I simply wanted to draw his attention to this in the Bill. "After the recommendation of" is a very different thing from "with the concurrence of". We were quite prepared to have "with the concurrence of" if the Honourable Member opposite would have agreed. Now that I have understood the question of my Honourable friend, I point it out. I regret not having caught the question of the Honourable Member properly when he asked me when I was speaking.

Raja Bahadur G. Krishnamachariar: I say, I am putting this question in order to make up my mind. The answers that I get to these questions will clear my position. Do our friends who put forward the opposite view and who practically claim infallibility to the conclusions arrived at by them in the Joint Select Committee, do they or do they not agree that the Government want to bring into existence a workable Reserve Bank? Do they or do they not agree that the Reserve Bank is an absolute necessity before responsibility at the Centre could be brought into existence? Assuming these positions, as I take them they are, namely, that we do want a Reserve Bank and that the Government of India—I am not defending the Government at all—in spite of the wickedness that has been attributed not to this Government, but to the gentleman sitting there at the other end of the wire 6,000 miles away, assuming that the Government of India want to give responsibility at the Centre after bringing the Reserve Bank into existence, what is the position, I say, it reduces itself to an absurdity. They want to establish the Bank and they say that, unless you establish this Bank, your responsibility at the Centre will never come. They take the trouble of inviting so many estimate gentlemen to England, there they sit in solemn conclave, write this report, get this printed, and give it to us; my Honourable friend, Sir George Schuster, within a week or ten days, by burning his midnight oil prepared this Bill and introduced it in the Assembly, fought for it inch by inch and, at the end, did what? Wreck the Bill. Why? Because the Secretary of State in his machinations is going to appoint a man who does not know anything about central banking, because that man will come and ruin your Bank and the result is that all these endeavours are fruitless. Surely there is something, a little bit more wise than that action. If the Government did not want this Reserve Bank at all, they might have sat tight as they sat tight over so many things. For instance, what did the Joint Parliamentary Committee do in the year 1919 before the present reforms came into existence? They said that, as soon as may be, land revenue must be a subject amenable to the vote of the Legislature. Have they brought that into existence? Of course there are lots of reasons why they did not do it, whether you consider them right or wrong. Likewise, if they did not want to have a Reserve Bank, they might put all sorts of objections and say, "We do not want this; we shall somehow or other try not to bring this Reserve Bank into existence." There is a book called the "Artha-Shastra" which is a very old book in which it is stated that it will never do for a Government to fulfil its promise to its people entirely. Make the promise, pretend as if you are fulfilling it and then go on and on.

Promise, pause, propose, postpone and end by leaving things alone. That, Sir, is the position which they can easily occupy and as they have occupied times without number. Therefore, I decline to believe that there is any machination behind the opposition to this clause. Whereas, suppose you take the clause as it is. You say: "tested banking experience". There is no definition of it. Who tests, what is the test, what is the standard and who should be satisfied? My Honourable friend, Sir Cowasji Jehangir, with his intimate acquaintance with banking and commercial business, may not agree to the test put forward by Government; and I in my ignorance and, with the only interest which counts, which has not so far been recognised by our friends on the other side, will say, what do Government say? It is all right. We want this Reserve Bank, none of us wants to wreck it, start something. You can always put forward arguments. If you want me to argue one way now, I will do it, and if you want me to argue a different way after lunch, I will do that also. There is a little bit of an incident which probably I might bring to the notice of the House. I believe it was His late Majesty King William IV who told the then Lord Chief Justice of England that the only department of his Government which wastes time from morning till evening were the courts of justice. The Chief Justice did not know what to do and said to His Majesty: "Will Your Majesty kindly attend one day when an important case is being argued?" The offer was accepted, a day was fixed, an important case was posted for hearing; the most eminent counsel having been retained they went on arguing. In the morning, up to lunch time the learned counsel for the appellant went on arguing. When he finished, His Majesty whispered to the Chief Justice: "What is there to be said hereafter? The whole thing is very plain, give the decision in his favour". But the Lord Chief Justice said: "Will Your Majesty kindly hear the other side also?" After lunch, the other side argued and, when the arguments were over, turning to the King, he said: "What does your Majesty say now?" And the King said: "Al! that I can say is that both of them are the biggest blackguards." (Laughter.) That, Sir, is the position to which I would reduce myself if I began to argue both ways. The point is, you have got something to go upon. And unless this is a question of principle, which I don't—and I have already stated to the House how questions of principle have been treated so light-heartedly,—allow the thing to go on. You can always do with three, you can always do with thirteen; and if it does not work, come here and then we shall amend. If you want the 100 per cent perfection stage, you will never be able to have it. Consequently, in view of the difficulty of coming to a conclusion as regards tested banking experience and all that sort of thing, better not have that sort of thing at all. There are not very many qualifications laid down for the Governor and I know in Madras the qualification for a Ministership is not to have any educational qualifications. (Laughter.) The less education you have the better. Have you failed in your middle school examination? You are fit for a Ministership. Did the Madras Government break down? Of course, it went on all right and merrily. Consequently, allow them to appoint a Governor. Find fault with them if he is not able to work. You will probably find that the man who you believed does not know any thing about it is the best man in the world. I am not at all a defender of the Indian Civil Service. I have got a great deal of grievance against them as I have been stating here from time to time. But I do not want to put all of them in the same block. There are some gentlemen who have been in service, who are greatly in demand in every place, for high

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and distinguished positions. Whereas, as a philosopher said: "We are talking of the good yesterday that is past but when that yesterday was with us we never appreciated it". In the same way, you probably have got a good man; you do not know anything about him, you think he is no good and, therefore, fight against him. Do not put it upon individualities. When the Finance Member says that they have not made up their minds, believe that they have not made up their minds. I am perfectly sure that, if the choice were left to Sir Cowasji Jehangir, he might select the very best person, but I suppose other persons can do the same thing. Consequently, I submit that until a satisfactory answer comes to all these points, it is somewhat difficult to follow these great assumptions of infallibility and assigning an importance to what, after all, appears to me a work of every day life which could be fulfilled without laying down any very serious, important or difficult conditions.

Mr. Muhammad Yamin Khan: Sir, when the Shareholders Bank comes in, we all expect that the man who is in charge of the Bank must be a man who must look to the interest of all people concerned and we want that the man who is at the head should be capable of carrying on the business in the best manner possible. There were certain misapprehensions in the minds of the people and the members of the Select Committee when this question was being discussed at the Select Committee; it was thought at that time that certain names were suggested which were under consideration or that a certain person had been already selected to be the Governor of the Bank. This led to serious consideration by the Select Committee. I am not going to name the gentleman who was named there, because it is very invidious to discuss any personalities on the floor of the House and say whether a man is good or bad; I will not condemn a man simply because his name was taken up by certain people or by pressmen; but there was undoubtedly a kind of apprehension in the minds of members of the Select Committee that when this Bank came into existence, certain individuals might be put who had already been selected even before the Bill was passed. If that were so, we would have all deplored it, and we would not like such a thing to be done before a vote in this House had been passed. I am glad, therefore, that the Honourable the Finance Member has given full assurance that no such thing has happened; and we must take that assurance; we cannot go on challenging and denying his statement. I would like to have the best man and I, therefore, think that it will not be proper to have as Governor of the Bank any one who is in the permanent service of the Government of India at present, such a man will create a misapprehension in the minds of the public as well as in our minds in this Legislature. I do not say that all members of the permanent service are so bad that none of them is capable of holding this good position; there may be some who, if they devote their minds to this, can be very suitable for this job, but the country has been fighting that people of the permanent services should not always be taken, and that chances should be given to those who are not in the permanent service and that there should be wider scope for selection. I am, therefore, at one with my Honourable friend, Sir Cowasji Jehangir, that this House will never endorse the idea that the first Governor should be one who belongs to or is at present in the permanent service. At the same time, I hope that the Governor General in Council will be allowed to make a good selection—a man who has got really practical banking or financial experience. I would not like to have

a man with no such experience, because, in that case, there will be no confidence in such a man in the minds of the public. I expect that after the speeches and views expressed here, the Government will take it into serious consideration that, when they make the first selection, they should select a person according to the wishes of the House and not one that might be deprecated by this House. I am perfectly sure that the Governor General in Council will not do otherwise, but will meet the views of this House.

Three amendments have been proposed on three sides—the Government amendment, Mr. Chinoy's amendment and the addition made by Sir Cowasji Jehangir. I shall first clear my own position. Although I have not appended any notes of dissent on many points, on which I differed from other members of the Committee, I have yet invariably fought for those points here in the House. For instance, although I did not put in a note of dissent that no person should hold more than 200 shares, which was my view in the Select Committee, I stuck to that position in the Assembly. I was of the opinion that the shares for different areas must be on the population basis, and I fought for that here also. Whenever I was convinced that a particular thing was good for India, I stood up and said that it was good for India, irrespective of whether I found support or not. That is not my business; my work is finished as soon as I place my views before the House. In this matter, as my Honourable friends will remember, it was my opinion at that time that I was not in favour of this amendment: when it came before the Committee, I was opposed to putting in this five years limitation and I was not willing to have the word "tested" at that time. . . .

Mr. S. C. Mitra: Without "tested" and "five years' experience" will you be agreeable?

Mr. Muhammad Yamin Khan: That was my position even in the Select Committee and it would have been my position here if the Honourable Members had not objected to the amendment which had been put in, and I said I was willing even to change the word "and" for the word "or", because I want a man who has practical banking experience, and I would not like to have one who has had no such experience. But unfortunately the amendment which was moved by my Honourable friend, Kunwar Raghbir Singh, though it was accepted by the Government, was objected to on technical grounds, and that has made my position very very weak. I will explain why I am opposed to this. There will be two kinds of appointment: the first appointment of the Governor and the appointment of the Governor later on. As far as the second appointment is concerned, we know that that will be made by the Governor General after taking into consideration the recommendations of the Central Board. I will request my Honourable friend, Sir Cowasji Jehangir, to listen particularly, because I am meeting his points. As I was saying, the first appointment is to be made before the Central Board comes into being through election, and the second appointment will be made after the Central Board comes in through election. . . .

Sir Cowasji Jehangir: In the first case, the Central Board will have nothing to do with the appointment.

Mr. Muhammad Yamin Khan: Quite so: that is what I am saying: there are two kinds: the first appointment will be made by the Governor General in Council: the second on the recommendation of the Central

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Board. That is not objected to by my Honourable friend, Sir Cowasji Jehangir, because he has agreed to this, that we can place some kind of confidence in the Central Board that they will not make any recommendation for a man who has no practical banking experience. We expect that people, who will come through election, will exercise their sense and meet the wishes of the shareholders. Therefore, it is only the first appointment with which we are concerned; and my Honourable friend wants to put in here a provision about that: he says, no person shall be appointed as Governor unless he is a person of tested banking experience covering a period of not less than five years. This provision in the Bill not only restricts the first appointment, but it also restricts the second appointment; it ties down the hands of the Central Board to make their selection according to the wording contained in this section, and, therefore, I say that it is not in the interest of India. Suppose we want an Indian to come in as a Deputy Governor, suppose he has had no practical banking experience of five years, and he picks up his work within, say three or four years, in a way so as to outshine the senior Deputy Governor and he fully qualifies himself to hold the office of the Governor of the Bank; then, should, owing to any cause, the Governor leave his appointment prematurely, is this Indian, who possesses all the requisite qualifications, to hold the post or to succeed the Governor to be debarred from holding it, simply because, according to this provision, he has not had five years tested banking experience? Certainly, Sir, the inclusion of this phrase will go against him. You will be tying down the hands of the Central Board if you make this recommendation. . . .

Sir Cowasji Jehangir: Does the Honourable Member want that five years should be omitted?

Mr. Muhammad Yamin Khan: I say that five years is a phrase which will act against the interests of Indians, it will go against the very cause we are pleading for.

Then, Sir, comes the word "tested". Who is going to test it? Certainly, this expression has been taken from the South African Act, and I would not like to commend it to the House. I would not like the House to follow the model of the South African Constitution in this matter or the people of South Africa except to treat them in the way that they have been treating India. . . .

Diwan Bahadur A. Ramaswami Mudaliar: You want us to adopt their worst characteristics and not their best?

Mr. Muhammad Yamin Khan: I want to treat them in this country in the same way as they have been treating Indians, and, therefore, we have provided that only those dominions, who do not make any discrimination, will have a right. . . .

Sir Cowasji Jehangir: If a South African doctor invents a very good medicine and if my friend is suffering from a disease which can be cured only by that particular medicine, will he refuse to take it?

Mr. Muhammad Yamin Khan: That is not the constitution of South Africa, but the inventor of the medicine will be a South African doctor.

I have no grudge against any individual of South Africa. I am now speaking of the Constitution and the Legislature of South Africa, and, in this matter, I should not like to follow their model.

Now, Sir, let us consider whether the word "tested" is a good word or a bad word. The word "tested" is very vague, as has been explained by my friend, Raja Bahadur Krishnamachariar. It leads you neither here nor there. Who is going to test? Will the body who will make the test be the Central Board or the Governor General? Supposing the Governor General says in a particular case that the "tested" experience of a man is quite sufficient, and the Central Board differs from him and says that the "tested" experience is not sufficient; in such a case, who will decide between the parties, who will make the selection? Sir, the word "tested" will find a loophole always against Indians, with the result that it will always be used against Indians, it will be said that Indians are not so good as Englishmen, and so it will not be beneficial for India, while it will defeat the very object which my friend, Sir Cowasji Jehangir, has in his mind. . . .

Mr. M. Maswood Ahmad (Patna and Chota Nagpur *cum* Orissa: Muhammadan): Have you changed your views, may I know?

Mr. Muhammad Yamin Khan: The second point is, my friend, Sir Cowasji Jehangir, wants to add after the words "the Governor General in Council" the words "and the Central Board". If he aims in the second instance, that is already provided that the Governor General will always take into consideration the recommendations made by the Central Board. If my friend has got in view the first appointment, then, I ask him, has he seen its practicability? Supposing the nomination of a Governor in the first instance is made before the appointment of the Central Board, then the question does not arise at all. How will the Governor General and the Board go into the question? There will be no Central Board in existence? Whom is the Governor General going to consult? Because, the appointment of the Governor will be before the appointment of the first Directors. Suppose the Directors are appointed before the appointment of the Governor. Suppose the Governor General in Council has got a particular man in view to be appointed. Does my friend suggest that the Governor General, before making the appointment of the Directors, should say: "Look here, I am going to appoint you as Director provided you agree to send up the name of this gentleman whom I am going to appoint as Governor"? Does my friend wish that the Directors should not be independent . . .

Sir Cowasji Jehangir: Nobody contended that the Directors should not be independent. All that the Bill says is that the Governor General in Council shall make the first appointment . . .

Mr. President (The Honourable Sir Shanmukham Chetty): By interruptions the Honourable Member will only make the speeches longer.

Mr. Muhammad Yamin Khan: My friend says that nobody has said that, but I say that the Honourable Member is himself trying to spoil the Bill by making the amendment which he has proposed. Is he not the Honourable Member who proposed that the words "Central Board" should be added after certain words. If that is so, then I ask him to say when does he want the Central Board to be consulted in the first or second instance. If it is in the first instance, does he want that the Directors should

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be appointed before a Governor is appointed? If my Honourable friend cannot understand it (Laughter), it is absolutely impossible for me to put it in his brain. I cannot do that. (Laughter.)

Sir Cowasji Jehangir: I can give my Honourable friend arguments; I cannot give him brains. (Laughter.)

Mr. Muhammad Yamin Khan: I cannot help it. The position is clear. Whatever amendment he has moved, to my mind, it is a ridiculous amendment. It has got no sense; it is not going to improve the Bill; it is going to spoil the Bill, and it is going to defeat the very object which Honourable Members have in view. The result will be that the Directors appointed will be persons who will be appointed on a certain condition if Government are bent on doing it. The Government will say: "Look here. We would appoint you as Director provided you vote for this man". I do not want such a kind of Director. I want people there who will be independent, who will refuse to be dictated to by the Governor General in Council, who will say: "It does not matter. If you do not agree with me, here is my resignation. I am going away". That is the kind of people I want, not people who will look after their own particular interests. If this amendment is passed, it will spoil everything and nothing will be done for the good of the country. For five years we will have Directors who will be puppets. We do not want such people. The four Directors, who will be nominated, we have made it clear, will not be turned out at the sweet will of the Governor General. They have been put on the same level as the elected Directors. We have fought and gained the point that they must be free from all political influences, from coercion, from dictation from the Government or the Governor General. They will be as free men to carry on the business of banking and will not carry on their work at the dictation of the Government. The test lamp of yesterday may turn out to be the Aladdin's Lamp later on. My friend, Kunwar Raghabir Singh's amendment has unfortunately been ruled out of order; that cannot be moved now, and my position is that I cannot accept the amendment moved by Sir Cowasji Jehangir. I would have accepted the deletion of the words "five years" provided, of course, some other words had been deleted, but there is no amendment to that effect. I opposed the insertion of this clause in the Select Committee and I oppose it now.

Mr. M. Maswood Ahmad: Did you write out any minutes of dissent?

Mr. Muhammad Yamin Khan: I explained it a long time ago.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions; Muhammadan Rural): When I first read notice of this amendment by Mr. Ayangar, I thought it was a practical joke, and when he actually began to move it, I thought he was suffering from that disease from which I was accused by the Honourable the Finance Member of suffering, that is, the intoxication of over-intelligence. I could not possibly believe that any person would ever say that the Governor of a Bank should be anybody but a person experienced in banking. This new argument advanced by the other side will upset the entire theory in every day life. I know of a case in which a Professor was appointed in a College, not on account of his academic distinctions, but on account of the fact that he had been the captain of a football team. He taught English grammar not by his knowledge but by

the knowledge of pupils and decided grammatical questions taking votes. I am not narrating a story; it actually happened in the case of a Professor. In one case, he took votes on the point whether "heroine" was masculine or feminine. (Laughter.) All questions in grammar were put to vote by him and were decided by votes. May I ask, is this a sound policy? Does my Honourable friend, Mr. Ayangar, want that the banking questions should be decided by the votes of subordinate clerks?

Mr. M. Maswood Ahmad: That was his master's voice.

Dr. Ziauddin Ahmad: That Professor did not continue for a very long time in the College, because boys found it out; they always voted in the wrong direction. But what happened? The Professor was appointed as a private tutor to a Maharaja, and he is still acting in that capacity. May I ask, whether the Reserve Bank is private tutorship to Rajas and Maharajas, that every person, who is not qualified, may be shoved on into the Governorship of the Reserve Bank? Is that the idea? I quite understand other amendments that have been brought forward. The first amendment was that the word "tested" may be omitted; I could also understand that the time limit may be reduced or may be altogether omitted. But I see no sense in the argument that the Governor should have no banking experience at all, which is, in substance, the argument of my Honourable friend, Mr. Yamin Khan.

Mr. N. N. Anklesaria (Bombay Northern Division: Non-Muhammadan Rural): Who said that the Governor should not have banking experience?

Dr. Ziauddin Ahmad: That is the meaning of the omission of sub-clause (2). If my Honourable friend, Mr. Yamin Khan, had definitely moved that the word "tested" be omitted, I would not have objected. I may have supported it, but it is rather surprising that he neither moved such an amendment in the Select Committee nor did he write out a minute of dissent, nor did he make any motion here on the floor of the House. But this thing was disguised in a much larger issue which was moved by a member of his Party, that is, about financial experience. "Finance experience" is a very difficult phrase. A person who has become a bankrupt has got financial experience. (Laughter.) Would you like to put a man of that kind as a Governor of the Reserve Bank? A person like myself who has always talked about finance on the floor of the House but had never been to any Bank except to draw money for a cheque or to have some personal business . . .

Mr. Vidya Sagar Pandya (Madras: Indian Commerce): Or over-draw your account!

Dr. Ziauddin Ahmad: . . . or, as my friend says, very often to over-draw my account—do you think that I am qualified to be a Director of this Reserve Bank? If persons, who simply talk and pose themselves as financial experts, are appointed Governors of the Reserve Bank, I simply pity the future of the Bank. May I just respectfully bring to the notice of my Honourable friend, the Raja Bahadur, one thing? There were two persons in a village. One man said to the other: "Hallo, if you kill my cat, I will kill yours". Both the cats were killed and the rats of the village walked about and had a very good feast. (Laughter.) So, in this case, we are not in the house of our grandfathers and grandmothers where we ought to be entertained at every stage and begin to complain that we

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are not served and sufficient attention is not paid to us. Here we are to do our public duty, and every clause should be considered on its own merits. I still hold that we made a fundamental mistake and did a very great disservice to India by accepting a shareholders scheme. But it does not follow from that that I should not consider every one of these clauses on their merits. When a particular issue is before us, I think it is my honest duty, and I will not be true to my voters if I do not consider each and every question on its own merits irrespective of whatever may have happened yesterday or this morning.

Raja Bahadur G. Krishnamachariar: May I just interrupt the Honourable Member? I only said that in matters of principle there was this absence of voting, and I proceeded to point out that in this amendment or in this discussion there was no question of principle involved and I discussed it on the merits. I thought I had made myself clear about it, but I find I have not. It is not the question, "Because you have voted against me yesterday, I will go against you today". That is rather childish, and I think I am a little too old both in service and in the world to think of that sort of argument, the old grandmother's argument.

Dr. Ziauddin Ahmad: I am sorry I was rather misunderstood. I said this was not the example which we were going to follow. As regards the question of principle, everything we discuss is really one of great importance. So, I did not say that the Honourable Member was following it; I only said that it was a kind of thing which I might not follow. That is an entirely different matter. Now, as regards Sir Henry Strakosch and his remarks about the Reserve Bank Bill, I remember he said that the South African constitution was the latest constitution and that this particular clause was in it. Therefore, we are entitled to draw the inference that this particular clause has the benediction of Sir Henry Strakosch.

The Honourable Sir George Schuster: May I point out to my Honourable friend that the present Bill is a still later model?

Dr. Ziauddin Ahmad: This is the latest Bill. Sir, when I asked the Honourable the Finance Member last time whether there was any Bank in the world where indirect election was allowed, he cited the case of the Imperial Bank of India. That example cannot be taken as a precedent for another mistake. We want to produce specialists. No man should be appointed unless he has been an apprentice or acquired practical experience. In subordinate posts, you expect a good deal of expert knowledge, but when you go to the higher posts, you ignore it altogether. You would not dream of appointing as Principal of a Medical College anybody who is not a medical man. Will my friend, Sir Frank Noyce, appoint as Chief Engineer anybody who is not an Engineer? This theory, which is advocated that the person who will be appointed as Governor need not have banking experience, is a theory peculiar to us and we on this side cannot possibly support it. We on this side lay very great stress on this fact that the Governor should be a person who can command the confidence of the Banks and, may I know, if your Governor has no banking experience, will he ever command the confidence of your scheduled Banks. Will he be able to understand the difficulties of these banks? It is a truism that the head of a technical institution must be a technical man. One argument of Mr. Yamin Khan was that, if you put this restriction, Indians might not be appointed. You may take it that Indians will not

be appointed to this place and if, at all, they will be promoted from the post of Deputy Governor. Now, the Deputy Governor will not be appointed straight off by the recruitment of the Public Services Commission. He should have previous banking experience. The period may be limited, the word "tested" may be removed, but I see absolutely no sense in demanding the House to swallow the proposition that the Governor of the Reserve Bank should have no banking experience at all, which is really the purport of this amendment.

(Mr. Muhammad Yamin Khan rose to speak.)

Mr. President (The Honourable Sir Shammukham Chetty): The Chair has been showing considerable latitude in the matter of interruptions which Honourable Members indulge in. Interruptions are permitted only on a matter of personal explanation and to raise a point of order, and it is only in very exceptional cases that the Chair proposes to allow interruptions in future.

Dr. Ziauddin Ahmad: We on this side have accepted the decision of the majority that we should have a Shareholders Bank, but we do say, give us the best type of Shareholders Bank and not a type which may expose us to the ridicule of the world, and if any person, who has not got expert banking experience, is put at the head of this institution, we will expose ourselves to great ridicule. I request the Finance Member, in spite of the fact that he has got votes in his pocket, to give us flies to devour and not buffaloes and elephants to swallow.

Sir Leslie Hudson (Bombay; European): It is quite true that I signed the Select Committee's report and that, in this particular point, I was in agreement with many of my friends in the Select Committee. It seemed to me then that *prima facie* this qualification was a reasonable one to apply for the first Governor of the Reserve Bank that is to be established. Thereafter, I naturally consulted with my Party over the Bill, as amended by the Select Committee, and my friends took a broader view than I had done in the Select Committee. My friends pointed out that the limitation, which these words would put on the selection of the first Governor of the Bank, must rule out a number of persons though when I say a number, there cannot be a very large number of people who would be eligible for this very responsible post in spite of my Honourable friend, Mr. Amar Nath Dutt, having said yesterday that there is at least a lakh of persons in India who would be able to undertake this duty. It would eliminate from the field of selection various people whose qualifications are certainly such as would eminently fit them for this post and it was felt that the Governor General should have absolutely untrammelled discretion in the selection of the man who is to be the first Governor of the Bank. Then as to the wording of the qualification, my Honourable friend, Dr. Ziauddin, himself has objected to the word "tested". There are also objections to the very wide expression "banking experience". What is banking experience? What does it mean? Big personages in the international financial world have not necessarily had banking experience of five years. Moreover, five years' experience on an office stool can hardly be considered to be real experience of the kind that is required in the Governor of the Bank which it is hoped to set up. We might have agreed with the amendment which you, Sir, disallowed this morning—the qualification of practical banking or financial experience. We might have agreed

[Sir Leslie Hudson.]

to that, but we are opposed to any limitation of the field of choice of the Governor General. In the transition stage, when the financial centre, so far as we are concerned in this matter of the Reserve Bank, is being moved from London to Delhi, it seems essential to have the best man available, and our limitation, by these words, might rule out the best men who can be got, and that is a matter which, I am sure, every Honourable Member in this House, looking at it dispassionately, does not want to do. We ourselves have no name in view. The Honourable the Finance Member has informed us that neither the India Office nor the Government of India have any name in view. I and my friends behind me maintain the principle of getting the best man obtainable for this most responsible post, and, therefore, Sir, in this matter we shall support the Government.

The Honourable Sir George Schuster: Sir, my Honourable friend, the Leader of the Independent Party, called upon me to give him enlightenment as to what is Government's purpose in moving this amendment. If, Sir, it is possible for one whose intelligence has been very severely grooved by five years' work as an official of the Government of India, to give any enlightenment to one who has never suffered from disabilities and restrictions of this kind, I will do my best to do so.

Sir Cowasji Jehangir: I too have been a member of Government for over five years.

The Honourable Sir George Schuster: Then my Honourable friend is in as bad a case as I am.

An Honourable Member: He has been dissociated for five years.

The Honourable Sir George Schuster: Sir, there is a well-known saying, well-known at least to lawyers, that "hard cases make bad law". I think we might extend that saying to meet the present case and say that provisions aimed at individuals make bad legislation. Sir, I think it is no secret and I am only repeating what has been said already by many Members who have already spoken that the proposal to introduce a provision of this kind came up before the Select Committee, because, on the morning that we met, or possibly two days before, a rumour had appeared in the press that a certain individual had already been selected to fill the post of the first Governor of the Reserve Bank. That diverted the attention of Honourable Members from other matters and they concentrated on an effort to find some means of defeating this result. I did my best to assure them that that rumour was completely unfounded and I was anxious to give them some practical testimony to support my assurance and I certainly did my best to help them to find a formula which would rule out this possibility, because I was convinced that no decision had been taken and the rumour was entirely false. In order to rule out that particular possibility, it is now desired to incorporate a provision permanently in the Statute.

Mr. President (The Honourable Sir Shanmukham Chetty): Would the Honourable Member like to continue after Lunch?

The Honourable Sir George Schuster: I think I shall take about ten minutes.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

The Honourable Sir George Schuster: Sir, when we rose for Lunch, I had just made the point that as hard cases make bad law, so provisions aimed at individuals make bad legislation, and I was explaining how the matter came up in the Select Committee and what was the life history of this particular clause. I think the debate has also made it still further clear that Honourable Members are thinking only of one particular case. Several Honourable Members who have spoken have said that they have in mind the first appointment to be made by the Governor General in Council before a Board is in existence. They have gone so far as to say that in the future they are prepared to trust to the good sense of the Central Board not to put up unsuitable recommendations. I think my Honourable friends show a certain amount of inconsistency in that, for the whole statement of their case implies that a wider definition might then be necessary and that they will be prepared to trust to the discretion of the Central Board. It seems to me a strange and an unreasonable position to take up that while the Central Board may be trusted to consider and keep in mind the necessity for an appointment which would make the Bill work successfully, the Governor General is likely entirely to disregard those considerations. I was very much impressed by the way in which my Honourable friend, the Raja Bahadur, who is not here now, pictured the case. He described to you how we had shown our anxiety to get on with this legislation and how it has been recognised throughout the constitutional discussions in London that the setting up of a sound Reserve Bank was an essential feature in the whole constitutional plan, and he asked the House how was it reasonable to suppose that, when we had taken that line and demonstrated how genuine were our feelings on the matter, that the Governor General would wreck the whole plan by putting in a man who would not command the confidence of the general public and of the business community in India and, therefore, that in that way he should jeopardise the whole success of what we had been working for so long and so hard.

Now, Sir, I want to return to my point, the point that I have made that provisions aimed at individuals make bad legislation. It is, in fact, very much the same sort of argument—in fact, I may say, exactly the same sort of argument—that I have had to use in connection with certain other amendments where Honourable Members have sought to provide by a rigid Statutory provision for certain things. On several occasions I have had to take the line that we are not objecting to the objective which Honourable Members opposite have in mind but that we are objecting to providing in the Statute for that sort of purpose. I would ask the House to consider this a little further. When we were discussing the day before yesterday the question of Statutory provision as to the number of Indians who should be included in the three chief executive posts of the Bank, I ventured to put it to my Honourable friends opposite that they were making a very great mistake in asking for a Statutory provision of this kind. If you provide for something in the Statute, that is fixed and rigid, and you must be very sure in your mind that that Statutory provision does not go too far and will not create an impossible situation. The result of that is, that you are forced in your Statutory provision to go down to a minimum. In fact, you are forced to provide for something much less than that which you really want. Either you do that

[Sir George Schuster.]

and go much too low in your demand or, if you put in the full demand, you run the risk of putting in something which it would be impossible to provide for in practice. Now, I think that the present clause, as it stands, falls under both those evils. On the one hand, it goes too far, and, on the other hand, it does not far enough. It means too little to do any good and yet it means enough to contain the possibility of creating a very serious embarrassment. I want the House to consider, if this clause were to stand, who it would keep out and who it would let in. Let me take a few examples of answers to the first question. In the first place, it would keep out, supposing he were willing to accept the post, an authority of the calibre of Sir Henry Strakosch. He has never had any banking experience. He is the Managing Director of the Union Corporation which is a large holding company interested in South African mines. Yet he is a practical businessman. He is an economist of great repute and he has made a special study of Central Banks. He is, I think I may say, one of the greatest authorities on Central Banks, one of the greatest practical authorities in England today and yet, if you put in this clause, he would not be eligible for appointment as the first Governor of the Reserve Bank. It would, as it stands, to take another case, keep out a man of the qualities of Sir Otto Niemeyer, who has been for a long time Controller of the Finance and Treasury and who, in that capacity, had worked daily with the Bank of England in close contact with the Governor of the Bank of England and had through his experience particularly during the War and the post-war years acquired quite a special knowledge of the handling of currency problems and of all the business which a Central Bank has to perform. He has now been given a post in the Bank of England, but, I believe, he has not held it for five years and his experience there is not enough to qualify him for this appointment. I know that if the amendment of Mr. Chinoy is to be accepted in his particular case he might not be excluded, but supposing he had only been at the Bank of England for a year, would it have been right to say that working there as a learner for one year made him sufficiently experienced to satisfy that condition of tested banking experience. He would be a very bold man to answer that question in the affirmative. In any case, the law Courts would have to decide it. I do not wish to weary the House with examples, but another man who affords a good instance for me to quote and who would have been kept out is the present Governor of the National Bank of Egypt. The National Bank of Egypt is the note issuing authority in Egypt and has a very important role to play. The post of Governor there is, I happen to know, one of the best paid banking posts in the world. It is at present held by Sir Edward Cook who was formerly a Finance Secretary of the Government of India and then for a few years was the Financial Adviser of Siam. And now he is the Governor of the National Bank of Egypt. I happen to know also that he is performing his duties with marked ability and has won the confidence of all circles in Egypt. There, Sir, are three men who would have been excluded and perhaps I might complete my tale and say that, apart from his experience as a Director of the Bank of England before his appointment, even the present Governor of the Bank of England might have been excluded by this clause. He was a partner in a finance house in London, Brown Shipleys, who, as far as I know, would not be regarded by any Court of law as bankers in the sense that is obviously intended in this clause. He had no banking experience in the sense in which Honourable Members talk about this matter.

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadan Rural): May I also add the name of Sir George Schuster in the list?

The Honourable Sir George Schuster: I should be very glad if I thought that my Honourable friend had in mind that I should be qualified for such a post, but for obvious reasons, I have not mentioned myself. In any case, I would be completely excluded by this Bill (Laughter), although I had very long experience in practical financial business in the City of London. That gives the House a sort of idea as to the kind of men who would be excluded. Let us consider who would be let in. In the first place, as I had occasion to point out to my Honourable friends who sat with me on the Select Committee, the particular individual whom they themselves had chiefly in mind for purposes of exclusion would have been let in because that gentleman had been a Director of the Imperial Bank for a large number of years. I should defy any learned judge in any Court of law to be able to pronounce that an active Director of a Bank for ten years had not had five years tested banking experience.

Sir Cowasji Jehangir: Has Sir Henry Strakosch ever been a Director of a Bank?

The Honourable Sir George Schuster: Not so far as I know. Apart from that individual, it would have enabled the Governor General to put in a young clerk of 25 years of age who had worked in a bank for five years in a very subordinate capacity. Honourable Members may say that my questions are absurd. As regards the second question as to who would be let in, they might say "It is ridiculous to ask us to suppose that the Governor General in Council would appoint a young clerk of 25 years of age to this post". But, Sir, if they are prepared to trust the Governor General not to commit himself to an absurdity of that kind, why should they not trust him altogether? That is a logical point. As regards the second class of cases, they might say: "Oh! well, of course, if you came to us and said that Sir Henry Strakosch should take this post, we would amend the Act at once and make it possible for him to be appointed." I would ask the House whether that is the way in which to handle legislation, whether this House can really maintain its self-respect if it passes a measure with the deliberate intention of amending it if any case comes up—and they admit the likely possibility—if any case comes up in the near future for making it necessary to amend it. We are proposing here to pass a measure which, as I have said on several occasions, is intended to last for at least 25 years, and, we hope, for all time that can be foreseen. I submit that this House is not taking its responsibility properly if it tries to put into that measure conditions which may be recognised as impossible in practice to be worked on the understanding that they will be prepared to amend it. That, Sir, I think brings us to the very root of this matter. I feel that possibly Honourable Members have this in mind, that if they put a provision of this kind into the Bill, they will in fact force the Governor General in Council to come to the Legislature and ask them to approve his first appointment. That, Sir, is really what it comes to, and that, of course, reveals not only the essence of my Honourable friend's intention, but the essence of the ground on which I have to object to it. This is a power which it is proposed should be exercised by the Governor General in Council after considering the recommendations of the Board. It is not a power which it is proposed to be put

[Sir George Schuster.]

into the hands of the Indian Legislature, however desirable Honourable Members opposite might consider that result to be. That is really the ground on which we have to take a serious objection to this proposal.

I think what I have said covers the main principles that are involved in this matter. There are, however, one or two points that have been made in the course of this discussion on which I should like to say something. My Honourable friend, Dr. Ziauddin Ahmad, has cast ridicule on the idea that any one should think of putting in as head of a Central Bank a man who has not got actual banking experience. I can assure him that on many occasions men have been put in to be the head of Central Banks who have had either treasury experience only or who have been well-known economists and certainly who have not been men who have made their position as practical bankers. The business of Central Banking is a special one and it is impossible to find many men available for that sort of position, nor can one look to the ordinary field of commercial banking for finding suitable men. And that brings me to the second point. There was very definite substance in the amendment which my Honourable friend, Kunwar Raghubir Singh, sought to move, namely, that it should be laid down as a qualification that the individual selected must have practical banking or financial experience. That would have excluded people who pose as authorities on Central Banks, either economists or financial journalists or others of that kind who could not claim to have practical banking or financial experience, but who have in certain cases in other countries been put in.

Then, Sir, a great deal was made of the phrase actually used in the South African Act, but I would remind Honourable Members that the South African Bank was intended originally to do a certain amount of commercial business. And I would remind them further that the power of appointment in that case is vested in the Finance Minister of the day. What those, who drafted that Act, had obviously in mind was the necessity for guarding against the possible danger that the Finance Minister of the day might make a purely political appointment to that post. That, I think, explains the reason for putting in such a phrase; but I do not think that the mere fact that that phrase has been used in the South African Act necessarily implies that it is a well thought out phrase or one which it would be easy to interpret.

The fourth point which I wish particularly to emphasise is that we have nobody in mind at present. Our minds,—and when I say “our minds” I include the Secretary of State himself,—are completely open on that matter. We have considered it premature to think about this matter until this Bill is passed into law and until the time has come to set up the Bank. Honourable Members need have no anxieties in their minds that we have any particular individual in view. And the last point that I want to make is this. We do recognise the force of the feeling which has inspired Honourable Members who have spoken in the debate today. We recognise that it would be hopeless folly to put in as head of the Bank at the outset a man who could not command the confidence of Indian opinion. Our only objection is against tying the hands of the appointing authorities in a way which we feel would either go too far or go so little way as to afford no safeguard at all. And, when I say that we feel the importance of this point, I would go further and say that we recognise the importance of the expression of feeling which has been given

by Honourable Members who have spoken in this debate, and I will certainly see that this debate is conveyed to the Secretary of State and see that his special attention is called to what has been said on this matter. That cannot be entirely disregarded and I hope that that will satisfy many Honourable Members that they have not spoken today in vain, if we on this side should succeed in passing this amendment.

That, Sir, I think, is all that I need say on the matter. I would only ask the House again to realise that we have no unworthy purpose in our minds in resisting this amendment, and that in this case as in many others the force of feeling on the other side is largely based on suspicion, a suspicion which, I trust Honourable Members will recognise, is unfounded.

Sir Cowasji Jehangir: Sir, the Honourable Member stated that some Members on this side of the House desired that this amendment should only apply to the first appointment of the Governor, that is, by the Governor General in Council. May I state that nobody on this side of the House made such a statement? It may have come from my friend, Mr. Yamin Khan.

Mr. Muhammad Yamin Khan: No, it did not come from me.

Sir Cowasji Jehangir: Secondly, I may suggest that if the Finance Member will look up "Who's Who", he will find that both Sir Henry Strakosch and Sir Otto Niemeyer are eligible for appointment under the provisions of this Bill as emanating from the Select Committee.

Dr. Ziauddin Ahmad: Sir, may I put a question for the benefit of those who were not members of the Select Committee? Why did he first support the amendment as it stands in the Bill and why did he change or had to change his opinion subsequently?

The Honourable Sir George Schuster: I am afraid I did not hear my Honourable friend's question. As regards what fell from my Honourable friend, the Leader of the Independent Party, until one verifies the matter by looking up the records of the debate, I cannot deal with his statement that nobody on his side made a point about the necessity of having this provision for the first appointment. But I certainly have a very definite impression in my mind that many of the speakers on that side at any rate conveyed that impression. That was what they felt nervous about and I think my Honourable friend himself said, that as far as future appointments were concerned, he was prepared to rely on the discretion of the Central Board. However, if I am wrong, I apologise.

Sir Cowasji Jehangir: I did not say that and I all along intended that it should apply for the second appointment even though the Central Board will have the power of recommending the names.

The Honourable Sir George Schuster: As regards the second point, I suppose my Honourable friend has verified the fact that Sir Henry Strakosch is the Director of a Bank.

Sir Cowasji Jehangir: No, he started on a banking career in 1891 and, as to Sir Otto Niemeyer, he joined the Bank of England in 1927, which makes it six years in the Bank of England already.

The Honourable Sir George Schuster: That is merely an accident. The point that I was making about Sir Otto Niemeyer was that if he had only been in the Bank of England a short time, he would have been excluded. As regards Sir Henry Strakosch, I think I know his career pretty well. He started in the firm of A. Goertz and Company who may have described themselves as bankers in the sense of foreign bankers, but, who, I submit, would not have been regarded as bankers in the sense intended by Honourable Members who moved this amendment. But that is one of the difficulties of the whole position. What is a banker? We use the expression "foreign bankers" in London, but people who describe themselves as foreign bankers do a very different sort of business to deposit banking business which my Honourable friends have in mind. The word banking is used in a quite different sense and that is one of the great difficulties of the whole position. What do you mean by banking experience?

Sir Cowasji Jehangir: Sir, may I point out that the words

Mr. President (The Honourable Sir Shanmukham Chetty): Order, order. The Chair does not think any useful purpose would be served by continuing this discussion.

The question is:

"That the words in sub-clause (2) of clause 8 of the Bill, from the beginning to the 3 P.M. and thereof, be omitted."

The Assembly divided:

AYES—62.

Ahmad Nawaz Khan, Major Nawab.
Anklesaria, Mr. N. N.
Anwar-ul-Azim, Mr. Muhammad.
Ayangar, Mr. V. K. A. Aravamudha.
Pagla, Lala Rameshwar Prasad.
Bajpai, Mr. G. S.
Bhore, The Honourable Sir Joseph.
Bower, Mr. E. H. M.
Chatarji, Mr. J. M.
Clow, Mr. A. G.
Cox, Mr. A. R.
Dalal, Dr. R. D.
Dash, Mr. A. J.
DeSouza, Dr. F. X.
Dillon, Mr. W.
Fazal Haq Piracha, Khan Sahib Shaikh.
Graham, Sir Lancelot.
Grantham, Mr. S. G.
Haig, The Honourable Sir Harry.
Hezlett, Mr. J.
Hudson, Sir Leslie.
Ishwarsingji, Nawab Naharsingji.
Ismail Ali Khan, Kunwar Hajee.
James, Mr. F. E.
Jawahar Singh, Sardar Bahadur Sardar.
Joshi, Mr. N. M.
Krishnamachariar, Raja Bahadur G Lal Chand, Honv. Captain Rao Bahadur Chaudhri.
Lee, Mr. D. J. N.
Liladhar Chaudhury, Seth.
Mackenzie, Mr. R. T. H.
Macmillan, Mr. A. M.

Metcalf, Mr. H. A. F.
Millar, Mr. E. S.
Milligan, Mr. J. A.
Mitter, The Honourable Sir Brojendra.
Morgan, Mr. G.
Muazzam Sahib Bahadur, Mr. Muhammad.
Mujumdar, Sardar G. N.
Mukherjee, Rai Bahadur S. C.
Noyce, The Honourable Sir Frank.
O'Sullivan, Mr. D. N.
Pandit, Rao Bahadur S. R.
Rafuddin Ahmad, Khan Bahadur Maulvi.
Raghubir Singh, Rai Bahadur Kunwar.
Raisman, Mr. A.
Ramakrishna, Mr. V.
Rau, Mr. P. R.
Sarma, Mr. R. S.
Schuster, The Honourable Sir George.
Scott, Mr. J. Ramsay.
Sher Muhammad Khan Gakhar, Captain.
Singh, Kumar Gupteshwar Prasad.
Singh, Mr. Pradyumna Prashad.
Sinha, Rai Bahadur Madan Mohan.
Smith, Mr. R.
Studd, Mr. E.
Tottenham, Mr. G. R. F.
Trivedi, Mr. C. M.
Wajihuddin, Khan Bahadur Haji.
Yakub, Sir Muhammad.
Yamin Khan, Mr. Muhammad.

NOES—31.

Abdul Matin Chaudhury, Mr.
 Azhar Ali, Mr. Muhammad.
 Bhuput Sing, Mr.
 Chinoy, Mr. Rahimtoola M.
 Das, Mr. B.
 Dutt, Mr. Amar Nath.
 Hari Raj Swarup, Lala.
 Hoon, Mr. A.
 Jadhav, Mr. B. V.
 Jehangir, Sir Cowasji.
 Jog, Mr. S. G.
 Lalchand Navalrai, Mr.
 Mahapatra, Mr. Sitakanta.
 Maswood Ahmad, Mr. M.
 Mitra, Mr. S. C.
 Mody, Mr. H. P.

Mudaliar, Diwan Bahadur A.
 Ramaswami.
 Neogy, Mr. K. C.
 Nihal Singh, Sardar.
 Pandya, Mr. Vidya Sagar.
 Parma Nand, Bhai.
 Patil, Rao Bahadur B. L.
 Reddi, Mr. P. G.
 Reddi, Mr. T. N. Ramakrishna.
 Sen, Mr. S. C.
 Singh, Mr. Gava Prasad.
 Sitaramaraju, Mr. B.
 Sohan Singh, Sirdar.
 Thampan, Mr. K. P.
 Uppi Saheb Bahadur, Mr.
 Ziauddin Ahmad, Dr.

The motion was adopted.

Mr. Sitakanta Mahapatra (Orissa Division: Non-Muhammadan): Sir, I beg to move:

"That to sub-clause (2) of clause 8 of the Bill, the following be added at the end:

'and one of the two Deputy Governors appointed shall be versed in agriculture'."

Sir, a Statutory provision in the Bill such as the one I am suggesting may appear somewhat fantastic to some Honourable Members of this House. If so, it is because we are not accustomed to receive any tangible help for our agricultural industry from the Government. Since the Queen's Proclamation of 1858, till the day before yesterday in this House Government have always professed their deep concern for the welfare of the cultivator, but we do not know if they have ever done anything real to help him. Notwithstanding the large procession of Committees and Commissions during recent years, the condition of the cultivator is worsening day by day. In this epoch-making Bill under discussion, I think the agriculturists comprising 91 per cent. of the Indian population are probably the only class that have been cleanly forgotten. So, Sir, I am afraid my suggestion may seem ridiculous to some of friends. Now, Sir, Denmark is a very small country in Europe, as small as any small district in India and predominantly industrial, and even the Central Bank of such a small country has got this Statutory provision. With the permission of the House, I shall just read out one sentence from page 257 of Mr. Kisch's Book. This is what is stated in Article 49:

"There the Governors are known as Managers. The King shall appoint two of the Managers, one of whom shall be versed in agriculture."

An Honourable Member: Which Bank is it?

Mr. Sitakanta Mahapatra: The Bank of Copenhagen in Denmark.

Sir, the Danes are not fools, and, in an entirely agricultural country such as India is, what purpose will the Reserve Bank serve if it does not tackle the great problem of rural indebtedness? The landlord, both big and small, and the tenant are today groaning under various agrarian difficulties. If of the three supreme executive officers of the Bank, if even one

[Mr. Sitakanta Mahapatra.]

of the two smaller officers does not possess a working knowledge of agricultural finance and agrarian difficulties in India, how can the Reserve Bank be expected to devise ways and means to tackle agrarian problems? Agriculture is not such a degrading profession as a financier would not know or a Deputy Governor of the Reserve Bank would be loath to know. If we are not going to have some scope at least for the Reserve Bank to be of use and help to the landlord and the tenant, is it not better that we do not have the costly paraphernalia of a Reserve Bank at all? The Honourable the Finance Member's solicitude for the welfare of the Indian peasant is very well known. I hope he will not find it extremely difficult to favourably consider my very humble suggestion and thereby earn the lifelong gratitude of the land-owning classes.

Sir, a letter from the pen of Sir Daniel Hamilton, the greatest authority in the world on Indian rural economics, was published in the *Statesman* of the 2nd of this month, and, with your kind permission, I shall read out a few lines from it:

"In your issue of yesterday, your Simla correspondent says:

'the party executives are considering other specific issues on which they should make a concerted effort. There is a general consensus of opinion that, in order to promote agricultural interests, the Reserve Bank should have a special department for providing facilities for rural credit.'

Does this imply that the proposed Reserve Bank makes no provision for rural credit? If not, its proper place is the waste paper basket."

With these words, Sir, I move my amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That to sub-clause (2) of clause 8 of the Bill, the following be added at the end:

'and one of the two Deputy Governors appointed shall be versed in agriculture'."

Mr. Muhammad Yamin Khan: Sir, I have my full sympathy with the object which my Honourable friend, the Mover of this amendment, has in view, and I would have given him my full support provided he had inserted some other words to convey his meaning. Unfortunately the words he has employed will never achieve the object he has in mind, and, therefore, I am unable to give my support to him. The words he has used are "versed in agriculture". I do not think those words can apply to the land-owning classes for whom he is pleading so far as India is concerned, because it will be really very difficult to find big landowners who are versed in agriculture. They do not do the actual work of agriculture, but it is their tenants who till the soil, and, therefore, it will be very difficult to find big landowners who are well versed in agriculture who can be appointed as one of the Deputy Governors of the Reserve Bank. It will be very difficult to find such big landowners who have had practical experience in cultivating land. Therefore, what my friend means is, perhaps he wants a representative of agricultural interests to be appointed as one of the Deputy Governors. If he had inserted these words, there would have been no difficulty to support his amendment, . . .

An Honourable Member: Why don't you move that amendment?

Mr. Muhammad Yamin Khan: I don't think the Chair will allow me to move that amendment now. If the Chair will allow me to substitute the words "a representative of agricultural interests", then I am quite willing to support my friend

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member should confine himself to the amendment before the House, and not to a hypothetical amendment.

Mr. Muhammad Yamin Khan: What I say is, Sir, that the amendment, as it is worded, will never achieve the object which the Mover has in view, and so I would request the Government that they should consider this point seriously, because although almost all the interests are properly represented in this Reserve Bank, the agricultural interests are going to be ignored, and, therefore, I say that suitable provision should be made for the representation of agricultural interests when the selection of Deputy Governors is made. I do not know who will make the first selection of the first Deputy Governor, whether the Government will make it or the Central Board; but, whoever it may be, I would request the Government to see that agricultural interests should not be ignored and full consideration should be given when appointments are made and preference should be given to the man coming from the Zamindar class if a suitable person can be found to hold the post of a Deputy Governor. As I said, I have every sympathy for the object which the Mover of this amendment has in view, but I cannot support his amendment.

Mr. M. Maswood Ahmad: Sir, I whole-heartedly support this amendment. I also come from Orissa and I am very glad that my Honourable friend has brought forward that amendment. After hearing the speech of the Leader of the United India Party, I remember a story of a husband who wanted to punish his wife. He asked his wife: "Well, you have not mixed bread in the soup. What is this? I will punish you." That is the case with my Honourable friend, Mr. Yamin Khan. He wanted to oppose the amendment, because he has decided to oppose all the amendments which come from this side of the House. But he wants some lame excuse to say that he cannot support. What is the objection to this wording? If my Honourable friend has got any sympathy for the agriculturists, why did he not move a good amendment? This amendment has been before him for more than a week, and he could have tabled a nicely worded amendment. My friend wanted to oppose the amendment and, at the same time, he wanted to show some lip sympathy. Sir, mere sympathy counts for nothing in these matters. If my friend has really got the interests of the agriculturists, he must support this amendment. As regards the wording of this amendment, I am sure, the Danish people are far superior in politics to the Leader of the United India Party. (Laughter.) (At this stage Mr. Yamin Khan rose in his seat.) I am not prepared to give way. This wording has been taken from a Statute which is prevailing in Europe, and a better wording cannot be substituted here. With these words, I support the amendment.

The Honourable Sir George Schuster: I think my Honourable friend's amendment is really misconceived. The chief thing that we have to think of at present is that the two Deputy Governors should be versed in *banking*. The Bank, of course, will have its own experts, and we have already

[Sir George Schuster.]

indicated that we have very much in mind the relations between the Central Bank and rural finance generally. I feel confident that the Bank will have an expert or experts who understand rural finance. But to lay down that one of the two Deputy Governors should be versed in agriculture, I submit, would be a very embarrassing provision. I congratulate my Honourable friend on having searched through all the Statutes and found this particular phrase from an English translation of the Danish Statute, which I submit would be a very difficult phrase for the law Courts to interpret. I would also put this point before the House. In a small country like Denmark, with a very high standard of education, I should think it would probably be quite easy to find a man who had spent a part of his life as a practical farmer, who is also skilled in banking and who could fill one of these posts. But, in a country like India, a vast majority of those who could come within the description of having been versed in agriculture would not have any banking experience, and affairs of the Bank would fare very badly if we had a man, some Cincinnatus called from the plough, to one of these high posts and left to handle the banking business of the Bank. I submit that the three chief executive officers should be primarily bankers and that, if the Bank is to take interest in agriculture, then it should have its special rural credit department with experts at the head. On those grounds, I must oppose this amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That to sub-clause (2) of clause 8 of the Bill, the following be added at the end :
'and one of the two Deputy Governors appointed shall be versed in agriculture'."

The motion was negatived.

Dr. Ziauddin Ahmad: Sir, I beg to move:

"That for sub-clause (3) of clause 8 of the Bill, the following be substituted:

'(3) The Governor and the Deputy Governors shall devote their whole time to the affairs of the Bank and shall receive such maximum and minimum salaries and allowances as may be determined by the Governor General on the vote of the Central Legislature.

The Governor shall be the chief executive officer of the Bank and the Deputy Governors shall perform such duties as are directed by the Central Board'."

Mr. President (The Honourable Sir Shanmukham Chetty): What is the meaning of receiving maximum and minimum salaries?

Dr. Ziauddin Ahmad: I shall explain just now. There are two points in this amendment. The first is that it would affect our Budget. If the Governor General fixed an exorbitant salary, then the burden of that salary would fall on the taxpayers of this country and our budgetary position would be affected. The profits of the Bank would come to us ultimately as a portion of the dividend. What we should do is that we should legislate the maximum and minimum salaries between which the salaries may be fixed. The next point is one which is taken from the South African Bank Statute which is supposed to be the standard Statute and which we are reminded of to copy if it is convenient to Government; but we are asked to forget it if it is inconvenient to them. As the South African Statute

is the last word in the banking regulations, I hope that the Honourable Member would accept the amendment which has the sanctity of the South African Statute behind it.

Mr. President (The Honourable Sir Shannukham Chetty): Amendment moved :

"That for sub-clause (3) of clause 8 of the Bill, the following be substituted :

'(3) The Governor and the Deputy Governors shall devote their whole time to the affairs of the Bank and shall receive such maximum and minimum salaries and allowances as may be determined by the Governor General on the vote of the Central Legislature

The Governor shall be the chief executive officer of the Bank and the Deputy Governors shall perform such duties as are directed by the Central Board'."

Mr. S. C. Sen (Bengal National Chamber of Commerce : Indian Commerce): I do not wish to discuss this matter at this stage, but I may point out that in this Bill there is no delegation of authority by the Central Board to either the Governor or the Deputy Governors. This should be done somewhere. I know in the rule making powers you have provided that the Central Board may delegate their powers to the Governor, the Deputy Governors or to Committees. It is a well known principle that the Board of Directors or the Directors of a Company are merely trustees for the Company. You have got here the words: "is also entrusted with these powers". Therefore, as trustees, they cannot delegate their power to anybody else unless they are authorised to do so under the Statute itself. No rule-making power can authorise the Central Board to delegate their authority either to the Governor or other persons. I point this out for the consideration of the Government.

The Honourable Sir George Schuster: Sir, I would propose in reply to restrict myself to my Honourable friend's amendment. That, I am afraid, I must oppose. It would be contrary to the whole principle of this Bill which is intended to set up the Bank as an authority independent of the Legislature, that the salaries of the chief executive officers should depend upon the goodwill and the pleasure of the Legislature. My Honourable friend has pointed out that the salary paid to the Governor will affect the Government's budget, but I think my Honourable friend's point illustrates in itself the objectionable character of a provision of this kind. If the Legislature looks upon the matter as one of saving perhaps one or two thousand rupees a year on the Governor's salary, as they would be very likely to do, because that is the only effect on the budget that they would consider, it might lead to disastrous results. The budget of the Government would be much more seriously affected if the Governor is a man who is not fitted to his post. The labourer is worthy of his hire, and the Governor of the Reserve Bank will be a labourer of the very greatest importance to India. We must look at results and we must trust some authority that can judge of the character and qualifications of the men, who are to be selected, to fix what salary it is desirable to pay to them in order to get the right kind of man. I feel sure, it would lead to very unfortunate results if a matter of this kind were left to be fixed by a vote of the Legislature.

Dr. Ziauddin Ahmad: What about my second point?

The Honourable Sir George Schuster: I oppose it.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That for sub-clause (3) of clause 8 of the Bill, the following be substituted:

"(3) The Governor and the Deputy Governors shall devote their whole time to the affairs of the Bank and shall receive such maximum and minimum salaries and allowances as may be determined by the Governor General on the vote of the Central Legislature.

The Governor shall be the chief executive officer of the Bank and the Deputy Governors shall perform such duties as are directed by the Central Board'."

The motion was negatived.

Mr. K. P. Thampan (West Coast and Nilgiris: Non-Muhammadan Rural): Sir, I move:

"That in the second paragraph of sub-clause (5) of clause 8 of the Bill, for the word 'five', in the third line, the word 'two' be substituted."

I believe that five years is too long a period and it may be reduced to 2.

The Honourable Sir George Schuster: I think two years is too short a period.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in the second paragraph of sub-clause (5) of clause 8 of the Bill, for the word 'five', in the third line, the word 'two' be substituted."

The motion was negatived.

Mr. K. P. Thampan: Sir, I move:

"That to the second paragraph of sub-clause (5) of clause 8 of the Bill, the following proviso be added:

'Provided that no Director should serve on the Board for more than ten years and no one who is over sixty years can continue as a Director'."

The complaint is that when once any one gets into the Directorate of a Company, there is a tendency on his part to stick to that place. It has been said so several times on the floor of the House. I myself referred to it in my speech at the first reading. I believe ten years is long enough for a man to prove himself useful in the Directorate and he ought to vacate after that for other people.

The other point raised in the amendment is about age. I have said that after sixty years people ought to retire. That is the rule in Government service. High Court Judges and others of superior service are to retire at their 60th year. I understand that recently it has been raised to 62, but sixty is a time when all decent people ought to retire. Senility sets in earlier in this country than in other parts of the world, and I think that an age limit like that ought to be introduced. Sir, I need not say anything more.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That to the second paragraph of sub-clause (5) of clause 8 of the Bill, the following proviso be added:

'Provided that no Director should serve on the Board for more than ten years and no one who is over sixty years can continue as a Director'."

Mr. S. G. Jog (Berar Representative): Sir I move:

"That after the second paragraph of sub-clause (5) of clause 8 of the Bill, the following new paragraph be inserted :

"That no person who has continuously served for two periods, *i.e.* for ten years, shall be eligible for re-election or re-nomination'."

The House already knows that when my esteemed friend, Mr. Pandya, made a speech, he at that time gave several instances as to how, when once a man is in the saddle, he sticks to his position. He may be in the Legislative Assembly or anywhere outside the Assembly. I am talking of human nature in general. For the time being, we are concerned with the Reserve Bank Bill and my observations are more pertinent to the Bill before the House. I have provided that after two periods as a Director a man should not be eligible for re-election or re-nomination. Vested interests are created and they prove obstacles in the way of deserving or desirous people aspiring to these posts. My friend gave instances of people who have held these Directorships all their life. When they are about to die, they will also make provision in the will that the other Directors may provide for his son also in the Directorate. Human nature being what it is, there will be a natural tendency to slight abuse of these Directorships by the men continuing to fill them for all time. It is, therefore, desirable to put certain safeguards or restrictions, so that the position may not be abused. After a man has served for two periods, he might take rest and give way to other deserving people and, if he stands for the third period later on, that will show that people have got confidence in him. At the same time, he will not stand in the way of deserving or desirous people. I think, therefore, it would to a great extent minimise the suspicions or rather the grounds upon which my friend, Mr. Pandya, raised the point at the last time and made much of it. I think it is a reasonable thing. More or less it concerns the management, and since the question of management is more important than even the question as to whether it should be a State Bank or a Shareholders Bank, points about the composition of the Directors, whether for instance they are such that people will have confidence in them and whether they will be trusted to give facilities to all people in the near future, all these points should receive due consideration. If these points are borne in mind, I think this is an amendment which should have the support of the Government Members. It in no way revolts against right principles. Just as the Government are anxious about safeguards from their own point of view, so also from the democratic point of view—and even at times democracy goes to the other extreme and probably at times the evil effects are felt—as a check, as a restraint, as a restriction on the abuses of democracy, I think this provision is essential and I trust Government will agree to this.

Mr. President (The Honourable Sir Shanmukham Chetty): Further amendment moved:

"That after the second paragraph of sub-clause (5) of clause 8 of the Bill, the following new paragraph be inserted :

"That no person who has continuously served for two periods, *i.e.* for ten years, shall be eligible for re-election or re-nomination'."

Mr. Gaya Prasad Singh: Sir, I should have been willing to accede to this amendment if my Honourable friend would come forward and

[Mr. Gaya Prasad Singh.]

agree to a similar rule being laid down so far as election to the legislative bodies is concerned. Now, let us understand what undesirable consequences would have ensued if similar rules had existed with regard to the elections to this House. In that case, my Honourable friend, Raja Bahadur Krishnamachariar, who, I suppose, is over sixty, would not have been amongst us, and we would have been deprived of the benefit of his sage guidance and wise advice as he would have been debarred from getting a seat in the Assembly. Then, we would have been deprived of the guidance also of my absent leader, Sir Hari Singh Gour, who has been sitting in the House since the beginning of these reforms. We would have been similarly deprived of the services of our Honourable friend, Mr. Neogy, for instance, who has also been in this House for over ten years, as well as of my friend, Mr. K. Ahmed. These gentlemen and many others had been adorning these Benches for a long time, and we have had the benefit of their guidance all these years.

The Honourable Sir George Schuster: What about yourself?

Mr. Gaya Prasad Singh: They represent a vast number of people in this country, and they can speak with authority and experience. If such a rule had existed for election to the Legislative Assembly, certainly it would have resulted in very undesirable consequences, because we would have been deprived of their sage guidance and sober advice, and all that sort of thing. Now, with regard to the proposed amendment for the insertion of a clause like that in the Bill, I think it is undesirable, because, if a man is appointed who has got experience, he is just the man who is fitted to carry on the work, and so long as his electors have absolute confidence and trust in him, I do not understand why an outside body should seek to put any sort of restraint debaring him from standing for re-election. Therefore, I oppose these two amendments.

Mr. T. N. Ramakrishna Reddi (Madras ceded Districts and Chittoor: Non-Muhammadan Rural): Sir, my Honourable friend has drawn an analogy which is not quite happy; certainly it is most inappropriate, because in the Legislative Assembly a person who has got the confidence of his electors might be returned number of times and he might remain here to lead, or to mislead, as he likes, and, in spite of that, the Assembly can get along, because there will be others to guide the House properly. But in the case of a responsible Reserve Bank, the Governor or Deputy Governor thereof, in whose hands the whole financial administration of the country is going to be placed, if one false step is taken, that will spell ruin to the financial position of the country, and hence more rigorous and stricter qualifications are necessary there. So the analogy is not very happy, and this is a very salutary rule that a Governor or a Deputy Governor should, after ten years' tenure of his job, retire and give place to others. In fact, before gaining such position, he must have already been pretty old, he must have grown somewhat old before he could make his mark in the country before his appointment as Governor or a Deputy Governor is made. Hence, Sir, I think ten years' tenure is quite enough, and I have, therefore, great pleasure in supporting this amendment.

The Honourable Sir George Schuster: Sir, I must oppose this motion on the same grounds that were taken by my Honourable friend, Mr. Gaya

Prasad Singh. (Hear, hear.) I think perhaps I might describe him as having spoken in a lighter vein, but I support those arguments in all seriousness. I think, Sir, it is very undesirable to attempt to limit the discretion of the shareholders by a provision of this kind. If an individual proves himself to be of value as a Director of the Bank, then he should be allowed to serve to the full extent of the term of valuable service that he can give. On these grounds, I oppose the amendments.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That to the second paragraph of sub-clause (5) of clause 8 of the Bill, the following proviso be added:

'Provided that no Director should serve on the Board for more than ten years and no one who is over sixty years can continue as a Director'."

The motion was negatived.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That after the second paragraph of sub-clause (5) of clause 8 of the Bill, the following new paragraph be inserted:

"That no person who has continuously served for two periods, *i.e.*, for ten years, shall be eligible for re-election or re-nomination'."

The motion was negatived.

Dr. Ziauddin Ahmad: Sir, I move:

"That after sub-clause (5) of clause 8 of the Bill, the following new sub-clause be inserted and the existing sub-clause (6) be re-numbered as (7):

'(6) Each Director, Governor, Deputy Governor and Auditor shall, before entering upon his duties or exercising any powers under this Act, make before the Justice of the Peace or other authorised officer a declaration of fidelity and secrecy in the prescribed form'."

Sir, I am not moving anything which is altogether new in the banking world. This is really the practice in a very large number of banks that they should keep secrecy and also make a declaration of fidelity towards their Bank. No doubt we have trusted our destinies in the hands of a few business men, but, at the same time, we expect that they should observe all the rules of honest bankers. We have unfortunately got an example of some business men who have not been very truthful and very honest. I myself gave notice of certain questions, but they were ruled out on the ground that those were not the direct concern of the Government of India and of this Legislature. This being the practice of several Banks, and notably of the important Banks in England, I hope what has been found to be necessary and useful in England will also be followed in this country—and this practice has been found to be essential not only in England, but in a very large number of other Central Banks in the world and, therefore, I think we ought to keep up this tradition, and this will also secure the greater confidence of the people and will add to the dignity of the whole banking organization.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That after sub-clause (5) of clause 8 of the Bill, the following new sub-clause be inserted and the existing sub-clause (6) be re-numbered as (7):

'(6) Each Director, Governor, Deputy Governor and Auditor shall, before entering upon his duties or exercising any powers under this Act, make before the Justice of the Peace or other authorised officer a declaration of fidelity and secrecy in the prescribed form'."

Sir Cowasji Jehangir: Mr. President, I think there is something worthy of consideration in this amendment. I understand that, in the case of the Imperial Bank, some kind of oath is just now administered to the Directors of the Bank or they have to sign some sort of a statement. I believe the same practice prevails in the case of all the Reserve Banks and some other important Banks. Perhaps the Honourable the Finance Member will consider the situation and suggest something himself if this is not quite suitable. Personally, I do not know what is the meaning of the word "fidelity". But I do think that a provision of this sort should find a place in the Bill, if it is not already provided for by the rules. I do not see how it can be provided in the rules unless you have a provision in the Bill itself. I trust that the Honourable the Finance Member will consider that point.

The Honourable Sir George Schuster: Sir, as my Honourable friend, who has just spoken, has said, there is a good deal that is worth considering in this proposal and we have, in fact, already considered it. My Honourable friend is quite correct when he says that, in the case of the Imperial Bank, they have what I think they call a secrecy bond, which officers holding responsible posts have to sign, and we always contemplated that a practice of that kind would be observed in the case of the Reserve Bank. But we have not thought it necessary to provide for it in the Statute. We regarded that as a matter of internal arrangement which did not require any Statutory provision. We think that a Statutory provision is unnecessary, though we do not at all disagree with the idea that something of this kind would be required from responsible officers.

Sir Cowasji Jehangir: They are talking of the future Governors of the Bank. This amendment relates to the Directors of the Local Board as well as of the Central Board, and not to the officers.

The Honourable Sir George Schuster: I thought it covered other officers as well. It would probably be required from all responsible officers also.

Sir Cowasji Jehangir: That can be done by rules.

The Honourable Sir George Schuster: Yes, that would be done by rules.

Sir Cowasji Jehangir: But what about the Directors?

The Honourable Sir George Schuster: I have stated our position in this matter. I do not want to close the door to any further consideration of it if there is any strong feeling about it. After full consideration, we had thought that this was a matter which should be left to the Bank to regulate for itself. I think I am correct in saying that there is nothing in the Imperial Bank Act which puts a Statutory obligation in this respect.

Sir Cowasji Jehangir: I understand that it does apply to the Directors of the Imperial Bank.

The Honourable Sir George Schuster: For the present I shall oppose this amendment, for I would not like to suggest anything which would hold up the further consideration of clause 8. But if any Honourable Members wish us to consider this matter further, it can perhaps be provided for later on in the Bill. I am told that in the case of the Imperial Bank this form is signed by everybody including the Governor and all their officers and that there are no rules about it. It is simply a practice.

Sir Cowasji Jehangir: What about the Directors in the Imperial Bank? How is that done without a provision in the Act?

The Honourable Sir George Schuster: They do it apparently voluntarily.

Sir Cowasji Jehangir: The officers of the Bank are in a different category. They are the servants of the Bank and the Bank can compel them to sign something, but with the Directors, who are elected, it will be rather a difficult matter unless some provision is made in the Bill.

The Honourable Sir Brojendra Mitter: I would invite the attention of Sir Cowasji Jehangir to clause 57(2) "Generally for the efficient conduct of the business of the Bank". I should have thought that if a bond of fidelity and secrecy is necessary for the efficient conduct of the business of the Bank, that would come under this rule-making power. That is what strikes me off-hand. Probably Sir Cowasji Jehangir is aware that Members of the Viceroy's Executive Council have to take an oath of secrecy, but there is no Statutory provision for it.

Sir Cowasji Jehangir: Would the Honourable the Finance Member and the Honourable the Law Member kindly consider this point and bring it up later if they think it necessary?

The Honourable Sir George Schuster: I have already stated that we are quite prepared to consider it and discuss it with my Honourable friend opposite or anyone else who is interested in this matter. We have no objection to the principle involved but, as I have already explained, we thought it unnecessary to provide for it in the Statute. We will, however, consider the matter further and, if we are convinced of it, we will give notice of an amendment at a later stage which would allow of its inclusion.

Dr. Ziauddin Ahmad: In view of the statement of the Honourable the Finance Member, will you permit me, Sir, to withdraw this amendment at this stage in order to be taken up at a later convenient opportunity. I say this, because I do not wish to suspend the passing of clause 8. What I want to say is that I might be allowed at a later stage to move an amendment of this type with the consent of the Finance Member.

Mr. President (The Honourable Sir Shanmukham Chetty): Clause 8 cannot be held up. What the Chair can do is that before the Bill is finished—if no mutual agreement is arrived at in the meantime,—the Chair would allow the Honourable the Finance Member to move a suitable amendment to have a separate clause incorporating this provision. Does the Honourable Member ask the leave of the House to withdraw his amendment?

Dr. Ziauddin Ahmad: Yes, Sir.

The amendment was, by leave of the Assembly, withdrawn.

Mr. President (The Honourable Sir Shanmukham Chetty): The question now is:

"That clause 8, as amended, stand part of the Bill."

The motion was adopted.

Clause 8, as amended, was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The House now goes back to clause 4 and disposes of the amendments that were kept in abeyance. In this connection, the Chair would observe that some Honourable Members have handed in notices of other amendments to clause 4. The Chair held in abeyance only those two amendments and it did not hold in abeyance the whole of clause 4 and, therefore, those amendments will not be taken up. The House will now take up Mr. Thampan's amendment (No. 36 in the consolidated list) which was under consideration. It runs thus:

"That in sub-clause (3) (c) of clause 4 of the Bill, after the words 'a company', in the first line, the words 'having 75 per cent. of its capital held by persons qualified under (a) and (b) above and' be inserted."

Sardar Sant Singh: May I, Sir, move the amendment standing in my name? It is No. 1 on the supplementary list.

Mr. President (The Honourable Sir Shanmukham Chetty): Is that in connection with this particular amendment?

Sardar Sant Singh: Yes, Sir.

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member, Sardar Sant Singh, can move his amendment.

The Honourable Sir George Schuster: In that case, does it mean that Amendment No. 36, in the name of Mr. Thampan, is withdrawn?

Mr. President (The Honourable Sir Shanmukham Chetty): Does Mr. Thampan ask for leave to withdraw his amendment?

Mr. K. P. Thampan: Is it not too early to ask for leave now? Let my Honourable friend move his amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): If Mr. Thampan approves Sardar Sant Singh's amendment, the proper course for him is to ask for leave to withdraw his amendment.

Mr. K. P. Thampan: I shall do so afterwards.

Sardar Sant Singh: Sir, I beg to move:

"That for part (c) of sub-clause (3) of clause 4 of the Bill, the following be substituted:

'(c) a society registered under the Co-operative Societies Act, 1912, or any other law for the time being in force in British India relating to co-operative societies, or a scheduled bank'."

Sir, sub-clause (3) of clause 4, part (c), provides that shares shall be held by:

"a company registered under the Indian Companies Act, 1913, or a society registered under the Co-operative Societies Act, 1912, or any other law for the time being in force in British India relating to co-operative societies or a scheduled bank, or a corporation or company incorporated by or under an Act of Parliament or any law for the time being in force in any part of His Majesty's Dominions the government of which does not discriminate in any way against Indian subjects of His Majesty and having a branch in British India."

The object is that having provided for certain restriction and for certain qualification for holding shares in the Reserve Bank under clauses (a) and (b), it becomes very difficult to deprive those companies from holding shares which are manned entirely by dominion people or foreigners who are excluded or disqualified from holding shares under sub-clauses (a) and (b). In order to remove that difficulty, my object is to do away entirely with the companies registered under the Indian Companies Act. No company as such will be entitled to hold the shares of the Reserve Bank. This seems to be unnecessary when we know that individuals can purchase shares in their own name and can hold and exercise votes. This will avoid all complications by doing away with companies altogether. What I want to retain is only (1) a society registered under the Co-operative Societies Act, 1912, or any other law for the time being in force in British India relating to co-operative societies and (2) a scheduled bank. Besides this, no other company registered under the Indian Companies Act or a corporation or company incorporated by or under an Act of Parliament or any law for the time being in force shall be entitled to hold any share in the Reserve Bank. This will simplify matters and it will satisfy the requirements which we, on this side of the House, are so anxious to retain that the shares should not be sold to any persons who are undesirable. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That for part (c) of sub-clause (3) of clause 4 of the Bill, the following be substituted:

"(c) a society registered under the Co-operative Societies Act, 1912, or any other law for the time being in force in British India relating to co-operative societies, or a scheduled bank."

Mr. K. P. Thampan: Sir, I beg leave of the House to withdraw my amendment.

The amendment was, by leave of the Assembly, withdrawn.

Mr. B. Das (Orissa Division: Non-Muhammadan): Though a member of the Select Committee, I hope no objection will be taken for my speaking on this amendment and for supporting the motion moved by my Honourable friend, Sardar Sant Singh, who also happens to be a member of the Select Committee. I am strengthened in my desire to support this motion by the evidence which the Secretary of State gave before the Joint Parliamentary Committee. In one of his replies, he said that whatever conditions this House shall incorporate in the Reserve Bank Bill, they will be honoured by the Joint Select Committee and also by the British Government. While the Secretary of State was replying to those

[Mr. B. Das.]

questions on discrimination against the colonial and dominion British subjects, Mr. Jayakar put the very question to the Secretary of State:

"Supposing Colonial and British dominion subjects, who are undesirables and are to be retaliated against by India, if they come to England and incorporate themselves into a company and then go to India and trade in India, or as is provided under this sub-clause (3) (c), they can buy shares in the Reserve Bank as well."

It is better for the Government to accept this amendment so that our apprehension will be done away with. Mr. Jayakar asked the Secretary of State two questions. The Secretary of State at first said:

"Yes, I find that it will lead to that interpretation."

and Mr. Jayakar again asked another question. I am sorry the book containing the evidence is not here. The Secretary of State said:

"I find we have to examine this in the light of opinions which Mr. Jayakar has placed."

The Secretary of State understood the interpretation that could be given by which the colonials and British dominion subjects could take shelter under a company registered in England and buy shares and take advantage of the financial credit of the Reserve Bank and yet they may not be residents of India and yet this Legislature or any future Legislature may disqualify and may deny the right of entry to those very people holding shares in these companies incorporated in the United Kingdom. I do hope and I appeal to the Honourable the Finance Member not to treat lightly any amendment that proceeds from this side of the House. The Honourable the Finance Member will, I hope, agree with me that every amendment that we are bringing forward is not done with the desire to destroy the Reserve Bank Bill or for the purpose of obstruction.

Sir, we have our definite apprehensions. The other day when I moved my adjournment motion, I found this House was an undivided and united family. We were all united and, although the Honourable the Finance Member came very late towards the evening and heard only the latter portion of the debate that day, we found we were members of one undivided family. I would like myself to see that we are all members of one undivided family in every clause of this Reserve Bank Bill. Our trouble is that the Honourable the Finance Member, who feels so much happy with his 60 or 65 votes, does not listen to the point of criticism that we bring forward very earnestly. We do not wish to obstruct him at any stage, nor is there any desire on this side of the House to obstruct the passage of this Bill. I would ask the Honourable the Finance Member to read these particular questions and answers which the Secretary of State gave in reply to Mr. Jayakar and Sir Phiroze Sethna and others and then see, if we allow this sub-clause (3) (c) to be passed, whether we will not give unrestricted right to the colonials and dominion British subjects. At present I do not ask this Government or any of the Government that may succeed it to introduce measures to retaliate against the dominion subjects and the colonials, but, as the Secretary of State indicated in his memorandum, he was going to give wide powers to the dominion British subjects and colonials and then ask the Government of India to take the extreme step of denying, by legislation, the right of entry to those

people. I would ask the Honourable the Finance Member and the Government of India not to provide in the Statute giving wider powers to these dominion and colonial subjects and then ask us to wait for the millennium and wait for a few years when the Government of India and the Federal Legislature will legislate discriminating against dominion British subjects and then the Government of India would take necessary steps to amend this particular sub-clause of the Reserve Bank Bill. I do hope that my appeal will not be lost on the Honourable the Finance Member.

Mr. S. C. Sen: Sir, the history of this amendment, so far as I know, is as follows. Mr. Thanpan moved an amendment to this clause in which he wanted to make it sure that any company, which has amongst its shareholders more than 75 per cent. of those who are not eligible to hold shares, should not be allowed to hold any share. That was considered by Government and we came to an arrangement under which the first amendment which is in this supplementary list was drafted, and that is in the name of Mr. B. R. Puri. That was also found on examination to go much wider than what was intended; and the present amendment is the result of that under which no company is to be allowed to have any shares in the Reserve Bank. There is another point to be considered, namely, even if any company is allowed to hold any shares in the Reserve Bank, how are they to exercise their voting power? There is no provision in the Bill under which a company can exercise their voting power. In the Indian Companies Act, there is a section, which I believe is section 80, which provides that a company, whose shareholders are shareholders of another company, can exercise its voting power by means of appointing a person by resolution to go and vote. In this Bill a proxy can only be a member of the Reserve Bank and no special provision has been made regarding joint stock companies. That means I think that Government do not want any companies to be the holders of any shares in the Reserve Bank. That being so, I support this amendment as it will obviate all sorts of difficulties which have been felt during the last four or five days regarding this matter as regards sub-clause (3) of clause 4. Sir, I support this amendment.

Mr. Bhuput Singh (Bihar and Orissa: Landholders): Sir, I also support this amendment. The Honourable the Mover desires to exclude only companies from being eligible to take shares in the Reserve Bank, and I think there will be no injustice done to such companies as their partners can purchase shares individually without any limit. Now, Sir, when this matter came up for consideration in the Joint Select Committee, they reported as follows:

"The limitation on share-holding provided for in sub-clauses 3(a) and 3(b) might be defeated if subjects of foreign countries or of a British dominion which has discriminated against India were to form themselves into a limited company . . ." etc.

To obviate these difficulties, we in the Joint Committee suggested that we should try and exclude companies altogether. But it was considered that it might lead to some injustice to certain companies and, therefore, the Joint Committee concluded that if it was found after some time that there was an abuse of power by such companies which were precluded otherwise from possessing shares of the Bank, steps might be taken by the Governor General in Council to prevent them from being shareholders. The report on the subject is as follows:

"The Government and the Central Board of the Reserve Bank should watch carefully for any signs of evasion of the purposes of sub-clauses 3(a) and 3(b) by the

[Mr. Bhuput Sing.]

formation of companies by persons disqualified from holding shares. If any such abuse were to attain serious dimensions we think that the Government should consider amending legislation."

I, on the other hand, ask them to adopt this amendment for excluding all companies and if, after some time, it is found that a good deal of injustice is being done to such companies whose partners are otherwise eligible for purchase of shares Government should then bring forward an amending legislation. At first we should not allow foreigners to hold shares, but, on the other hand if it is found necessary to give them such powers, then Government would be quite at liberty at any time to bring forward any amending legislation to make such provision as would be required to meet the situation. With these words, I support the amendment.

Diwan Bahadur A. Ramaswami Mudaliar: Sir, I rise to support this amendment. The House has, within its recollection, the history of this amendment and how various efforts were made to arrive at an understanding. As regards the cardinal principle which this House wants to be embodied in this Act, we do not want any foreigners to hold shares in our Reserve Bank. The only exception is with reference to scheduled banks. The reason for that exception is that scheduled banks will put themselves under certain disciplinary control of the Reserve Bank. They have to give a certain percentage of demand and time monies, and, therefore, it was felt not altogether unfair that to this extent scheduled banks, though they are foreign banks, may have the right to hold shares. But we do not want this to spread further and we do not want any foreign company to be established in this country under the Indian Companies Act and thereby claim the right of holding shares. Nor do we want that citizens of those dominions which discriminate against us should form themselves into a company and thereby avoid the penalties of the previous section and obtain shares of the Reserve Bank. These two things can be done now. This is not a contingency which may arise hereafter, but it is a position which exists today. There are various companies in India which can, immediately the prospectus of the Reserve Bank is issued, apply for and obtain shares. There are in this country citizens of those countries which do discriminate against us and who can similarly hold shares. Now, Sir, we have, I venture to submit, suggested a very radical remedy. I do agree that it is a very radical remedy and, to prevent them, we are willing to impose prohibitions and penalties against ourselves. We are willing to bring Indian companies into line with them not to give Indian companies the right to hold shares which we would otherwise have given, so that there can be no suspicion of discrimination. Here is a case when we lower ourselves down, if I might say so, when we exclude ourselves from our natural rights so that others who are undesirables may not claim the same rights. I do not think we could go further than that in the name of discrimination or avoidance of discrimination. Sir, I hope the Finance Member will be in a position to accept this amendment.

Mr. N. M. Joshi: Sir, I want to ask a question about the interpretation of the word "dominion". That word occurs in part (b) of sub-clause (3) as well as in part (c) and in sub-clause (4) also. I want to know whether the word "dominion" will include the word "colony", because there are some British colonies like Kenya where Indians are discriminated against. I would, therefore, like Government to explain whether they have taken legal opinion that the word "dominion" will apply only to those dominions which have got full self-government. I would further like to know whether the word "dominion" will include colonies like Kenya which discriminate against India.

The Honourable Sir George Schuster: Sir, in answer to my Honourable friend's question, he will see that the expression is "any part of His Majesty's dominions" and that, of course, covers any part of the British Empire whether it be a dominion in the constitutional sense or a colony. The word "dominion" here is not used in any constitutional sense. It is "any part of His Majesty's dominions".

On the general question, I am prepared to admit at once that there is a great deal to be said for this amendment. Honourable Members opposite have referred at times to Government taking the view that everything that comes from their side is unreasonable and ought to be defeated. I hardly think that my Honourable friends can really accuse me of that sort of attitude, and I assure my Honourable friend, Mr. Das, that I look upon no amendment as merely put forward with the object of embarrassing Government. I give them and will give them all full credit in my own mind as representing honest attempts to improve this measure; and our attitude in regard to this particular proposal, I think, is sufficient support for what I have said. We indicated our willingness to consider with those who were interested in the original amendment whether we could devise any form of words which would not be open to objection and which would meet the point and, after a great deal of discussion and trying many alternatives, we came to the conclusion, which was the same conclusion that we had come to in the Select Committee, that if you want to achieve this object, the only way to do it is to exclude companies altogether; and I, therefore, suggested to those Honourable Members whom I met on this matter that they should put the issue before the House in that clear and simple form. At the same time, I told them that I was afraid that we would have to oppose that. In doing that, I do want to make this clear: we do not oppose it for the sake of opposition: we have thought over the matter very carefully and we think that on the whole it is going too far to exclude companies altogether; and that the sounder line to take is that recommended by the Select Committee, namely, that this situation should be watched and that, if any real abuse comes up, then it should be dealt with by legislation. But we do not really think that the danger is a very serious one. Of course if one gets down to discussing it and talks on it for an hour or two, one's mind gets concentrated on this possibility and one might picture it to oneself as a serious danger; but if one considers it in relation to all the other problems in this measure and considers what interests are likely to try and get shares in the Reserve Bank in this indirect way, particularly having regard to the fact that the voting rights are limited and that no company, however many shares it has, will be able to acquire more than ten voting rights, I really feel that it is not a very serious danger, and that to take a step like this of excluding all companies altogether is a very drastic measure to take in the face of that small hypothetical risk. That is our position; and, having arrived at the conclusion in our own minds that that is the right line to take, however much I should like to yield to the appeal made by my Honourable friend, Mr. B. Das, and however painful it is to me to resist that kind of appeal, I still feel that I, like my Honourable friend himself, must stand by what I consider to be right in this matter and the right course. If it is my ill fortune to be followed into the lobby by a majority of Members of this House, then surely I ought not to be blamed for that. We want the House to decide this question on its merits and each Member to vote as he thinks right. But, as a Government, we have arrived, after full consideration, at the conclusion that this is the right thing.

[Sir George Schuster.]

That is the position, and I think that that is all that I need say on the matter. As I said at the beginning, I feel and I do not want to over-stress the case on our side—I feel that there is a good deal to be said for this amendment and that this is the clear and honest way of dealing with this particular difficulty.

Mr. President (The Honourable Sir Shammukham Chetty): The question is:

"That for part (c) of sub-clause (3) of clause 4 of the Bill, the following be substituted:

'(c) a society registered under the Co-operative Societies Act, 1912, or any other law for the time being in force in British India relating to co-operative societies, or a scheduled bank'."

The Assembly divided:

AYES—40.

Abdul Matin Chaudhury, Mr.
Anklesaria, Mr. N. N.
Anwar ul Azim, Mr. Muhammad.
Azhar Ali, Mr. Muhammad.
Bhuput Singh, Mr.
Chinoy, Mr. Rahimtoola M.
Das, Mr. B.
Hari Raj Swarup, Lala.
Jadhav, Mr. B. V.
James, Mr. F. E.
Jehangir, Sir Cowasji.
Jog, Mr. S. G.
Joshi, Mr. N. M.
Liladhar Chaudhury, Seth.
Mahapatra, Mr. Sitakanta.
Maswood Ahmad, Mr. M.
Millar, Mr. E. S.
Milligan, Mr. J. A.
Mitra, Mr. S. C.
Mody, Mr. H. P.

Mudaliar, Diwan Bahadur A.
Ramaswami.
Mujumdar, Sardar G. N.
Neogy, Mr. K. C.
Nihal Singh, Sardar.
Pandit, Rao Bahadur S. R.
Parma Nand, Bhai.
Patil Rao Bahadur B. L.
Reddi, Mr. P. G.
Reddi, Mr. T. N. Ramakrishna.
Roy, Kumar G. R.
Sant Singh, Sardar.
Sen, Mr. S. C.
Singh, Kumar Gupteshwar Prasad.
Singh, Mr. Gaya Prasad.
Sitaramaraju, Mr. B.
Thampian, Mr. K. P.
Uppi Sahab Bahadur, Mr.
Wilayatullah, Khan Bahadur H. M.
Yakub, Sir Muhammad.
Ziauddin Ahmad, Dr.

NOES—42.

Ahmad Nawaz Khan, Major Nawab.
Ayangar, Mr. V. K. A. Aravamudha.
Bajpai, Mr. G. S.
Bhore, The Honourable Sir Joseph.
Bower, Mr. E. H. M.
Chatarji, Mr. J. M.
Clow, Mr. A. G.
Cox, Mr. A. R.
Dalal, Dr. R. D.
Dash, Mr. A. J.
DeSouza, Dr. F. X.
Dillon, Mr. W.
Graham, Sir Launcelot.
Grantham, Mr. S. G.
Haig, The Honourable Sir Harry.
Hezlett, Mr. J.
Hudson, Sir Leslie.
Ishwarsingji, Nawab Naharsingji.
Lal Chand, Hony. Captain Rao
Bahadur Chaudhri.
Lee, Mr. D. J. N.
Mackenzie, Mr. R. T. H.
Macmillan, Mr. A. M.

Metcalf, Mr. H. A. F.
Mitter, The Honourable Sir Brojendra.
Morgan, Mr. G.
Mukherjee, Rai Bahadur S. C.
Noyce, The Honourable Sir Frank.
O'Sullivan, Mr. D. N.
Rafiuddin Ahmad, Khan Bahadur
Maulvi.
Raghubir Singh, Rai Bahadur
Kunwar.
Raisman, Mr. A.
Ramakrishna, Mr. V.
Rau, Mr. P. R.
Schuster, The Honourable Sir George.
Scott, Mr. J. Ramsay.
Sher Muhammad Khan Gakhar.
Captain.
Singh, Mr. Pradyumna Prashad.
Sinha, Rai Bahadur Madan Mohan.
Smith, Mr. R.
Studd, Mr. E.
Tottenham, Mr. G. R. F.
Trivedi, Mr. C. M.

The motion was negatived.

Mr. President (The Honourable Sir Shanmukham Chetty): Has the Honourable Member, Mr. B. Das, made up his mind about amendment No. 54?

Mr. B. Das: Yes, Sir; it is there.

Mr. President (The Honourable Sir Shanmukham Chetty): Yes, it is there, but has he made up his mind?

Mr. B. Das: Sir, the amendment is in possession of the House, and I hope the House will support it and carry it.

Mr. President (The Honourable Sir Shanmukham Chetty): It was suggested the other day that the consideration of this amendment might be postponed until clause 14 was reached and disposed of, but the Chair found on examination that the House would be up against the same difficulty when it came to clause 9. Therefore, what the Chair would suggest is that when the House reaches clause 14, the definite issue whether one share must carry one vote may be raised, and, if that is carried, then the consequential amendments may be made. If that is acceptable, then the Honourable Member must now ask the leave of the House to withdraw his amendment.

Mr. B. Das: Very well, Sir, with that assurance, I ask the leave of the House to withdraw my amendment.

The amendment* was, by leave of the Assembly, withdrawn.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 4, as amended, stand part of the Bill."

The motion was adopted.

Clause 4, as amended, was added to the Bill.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 14th December, 1933.

*"That in sub clause (c) of clause 4 of the Bill, for the word 'five', wherever it occurs, the word 'one' be substituted."

LEGISLATIVE ASSEMBLY.

Thursday, 14th December, 1933.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

QUESTIONS AND ANSWERS.

AMENDMENTS IN THE PRESENT PROVIDENT FUND RULES OF THE CURRENCY OFFICE STAFF.

1401. ***Sardar G. N. Mujumdar:** (a) Will Government be pleased to state how long do they still require to make necessary amendments in the present Provident Fund Rules of the Currency Office staff on the Treasurer's side, which has been postponed for the time being?

(b) Is it a fact that this question is pending since the last ten years?

The Honourable Sir George Schuster: The attention of the Honourable Member is invited to the information laid by me on the table of the House on the 12th December, 1933, in reply to part (d) of starred question No. 1090, asked by Mr. Lalchand Navalrai.

FILM ENTITLED "HENRY THE EIGHTH".

1402. ***Mr. Gaya Prasad Singh:** (a) Are Government aware that the film "Henry the Eighth" is being exhibited in India? If so, has any objection to its exhibition been received; and if so, from whom?

(b) What is the film about?

The Honourable Sir Harry Haig: (a) Government have no information whether this film is being exhibited in India. They have received no objection to its exhibition.

(b) I have no information except such as the title may suggest.

Mr. Gaya Prasad Singh: Are Government aware that in the House of Commons Mr. Sanderson urged that representations should be made to the Government of India not to permit the exhibition of the film "Henry VIII", "in view of the detrimental effect it is likely to have upon the Indian audience"?

The Honourable Sir Harry Haig: I can only say that no such representations have reached us.

CLAIMS OF THE BASEL TRADING COMPANY FOR THE RESTORATION OF ITS INDIAN PROPERTY.

1403. *Mr. Gaya Prasad Singh: (a) Will Government kindly make a statement with regard to the claims of the Basel Trading Company for the restoration of its Indian property, confiscated in 1919, indicating what Company it is, its nationality, the properties it held in India, the reason why those properties were confiscated, and the terms upon which the properties were offered to be restored?

(b) Is it a fact that Lord Meston is one of the trustees?

(c) What was the object for which the Company was formed?

The Honourable Sir Harry Haig: (a) and (c). The Basel Mission Trading Company was a company which engaged in trade and devoted its profits in excess of a fixed percentage to missionary and philanthropic work. It held extensive properties both movable and immovable in Madras and Coorg. These properties were taken over and vested in the Custodian of Enemy Property in exercise of the powers conferred by the Enemy Trading Act, 1916, on the ground that the company came within the terms of section 2 of that Act. I am not in a position to make any statement as regards the claim of the Company for the restoration of its properties. Negotiations on the subject have been proceeding in London between the Secretary of State and the Company.

(b) I have no information on the point.

Mr. Gaya Prasad Singh: May I know if this was a German firm?

The Honourable Sir Harry Haig: I understand that it was a Swiss firm with a number of German employees.

Mr. Gaya Prasad Singh: Was it engaged in proselytising?

The Honourable Sir Harry Haig: It was engaged in missionary and philanthropic work.

Mr. K. P. Thampan: Is it not the same society which had extensive industrial works and educational institutions on the West Coast?

The Honourable Sir Harry Haig: I think that is the company.

Mr. K. P. Thampan: Was it not primarily engaged in evangelical work?

The Honourable Sir Harry Haig: I am referring to the original company and I fancy that its property was taken over and transferred to another company, an English company which was formed for the same purpose.

Mr. K. P. Thampan: It was originally a mission society, the Basel Mission Society. It had several schools and a college and several factories which were sold to English companies; the Madura Company, I believe, took up one and the Commonwealth Trust which was formed by several English companies

Mr. President (The Honourable Sir Shanmukham Chetty): What is the question?

Mr. K. P. Thampan: I want to know on what principle the purchasers are now going to be deprived of the business they have built up and their money?

The Honourable Sir Harry Haig: I am not in a position to make any statement as regards the present position of the negotiations and conversations that are going on in London.

Mr. K. P. Thampan: Is it likely that the negotiations will fructify?

The Honourable Sir Harry Haig: I am afraid I cannot give a definite answer.

Mr. K. P. Thampan: Will Government consider the claims of those who have invested money in it?

The Honourable Sir Harry Haig: I have no doubt that the claims of all persons interested are being considered most carefully.

Mr. Gaya Prasad Singh: What is the approximate value of the property that has been confiscated?

The Honourable Sir Harry Haig: I have not got the figures in my mind. I am not sure whether I have them even on record.

HEAD LIGHT KEEPERS AND ASSISTANT LIGHT KEEPERS.

1404. ***Maulvi Sayyid Murtuza Saheb Bahadur:** Will Government be pleased to state:

- (a) the number of men working as Head Light Keepers and the number of men working as Assistant Light Keepers now, with their nationalities;
- (b) the number of Muslims and the number of other communities other than Anglo-Indians and Indian Christians, appointed in the posts of Assistant Light Keepers from the time the General Light Houses were taken over by Government;
- (c) the number of permanent and temporary vacancies now existing in both the grades of Head Light Keeper and Assistant Light Keeper;
- (d) the educational or other qualifications now demanded from men that apply for Assistant Light Keepers' appointments;
- (e) whether sons of retired Muslim Light Keepers will be given preference for appointments as Assistant Light Keepers in the existing or next permanent vacancies, if applied for?

The Honourable Sir Joseph Blore: With your permission, Sir, I propose to answer questions bearing Serial Nos. 1404 and 1405 together.

Information is being collected and a complete reply will be laid on the table in due course.

REPRESENTATION OF MUSLIMS IN THE GRADE OF HEAD LIGHT KEEPERS.

***1405. *Maulvi Sayyid Murtaza Sahab Bahadur:** Will Government be pleased to state:

- (a) whether it is a fact that all posts of Head Light Keepers have been monopolized only by Anglo-Indians and Indian Christians from the time the General Light Houses were introduced or imperialised;
- (b) what is the reason for having not appointed even a single Muslim in the post of Head Light Keeper from the time the General Lights were inaugurated or brought under the control of Government;
- (c) whether the Joint Committee's recommendation for the Indianization of the staff was not accepted by Government at the time of passing the Light House Bill into law in the meeting of this House held on the 14th September, 1927?

REPRESENTATION OF MUSLIMS IN THE GRADE OF HEAD LIGHT KEEPERS.

1406. *Maulvi Sayyid Murtaza Sahab Bahadur: (a) Are Government aware of the fact that, in reply to the Muslims' Deputations on the 12th December, 1929, and the 29th March, 1930, in Madras, and New Delhi respectively His Excellency the Viceroy was pleased to state that the Muslim community should, by merit alone, make good their claim to representation in all grades of public services and promised to remedy any marked discrepancies that may exist in any Department, by giving a fair chance to the qualified members of each community in conformity with the section 96 of the Government of India Act now in force?

(b) Are Government prepared to consider the desirability of representing the Muslim community in the Head Light Keepers' grade, by appointing a qualified Muslim, if available, to any existing or next permanent vacancy?

The Honourable Sir Joseph Bhore: (a) I have seen the speeches referred to and find that His Excellency the Viceroy did not hold out any promise such as is suggested in the question but merely reiterated the policy of Government regarding reservation of first appointments in the services for the redress of communal inequalities.

(b) I am not sure whether the Honourable Member is referring to the representation of Muslims in the Head Lightkeeper's grade in the Madras Lighthouse District or in the General Lighthouse Department as a whole. If the latter, I may say that according to the information available to the Government of India the Muslim community is already represented in that grade. I may add that vacancies in the Head Lightkeeper's grade are usually filled by the promotion of senior Lightkeepers and the claims of all qualified men have to be considered in making the appointments.

OFFICIATING CHANCES GIVEN TO UNQUALIFIED MEN IN THE RAILWAY CLEARING ACCOUNTS OFFICE.

1407. *Mr. Goswami M. R. Puri: Are Government aware that in the office of the Director, Railway Clearing Accounts, unqualified men have been allowed to officiate in Class I, when there are many men available who have passed the requisite examination qualifying for promotion to that grade? If so, why?

†For answer to this question, see answer to question No. 1404.

Mr. P. E. Rau: With your permission, Sir, I propose to reply to both questions, 1407 and 1408 together. I am informed that certain persons who have not passed the necessary examination have been given a trial in an officiating capacity in the posts of Class I clerks in the Railway Clearing Accounts Office and that the seniority list of that office has been to a certain extent departed from. This, I understand, was in pursuance of the recommendations made in 1929 by a committee under the chairmanship of Mr. M. K. Mitra which was appointed to frame detailed rules for fixing the seniority in the different grades of the subordinate establishment of that office.

STOPPAGE OF PROMOTIONS IN THE RAILWAY CLEARING ACCOUNTS OFFICE.

†1408. ***Mr. Goswami M. R. Puri:** (a) Is it a fact that the promotions of the newly recruited staff during the experimental stage of the Railway Clearing Accounts Office and of the men transferred from the North-Western Railway along with the transfer of Foreign Traffic Accounts Work have been stopped on the plea that they were given lion's share of the promotion during the experimental stage? If so, why?

(b) Are Government aware that these men worked hard during the experimental stage for days and nights continuously at the risk of their health, and brought the experiment to a success?

(c) If the reply to part (b) be in the affirmative, are these men not entitled to promotions to higher grades against the vacancies which existed then?

PROMOTIONS IN THE RAILWAY CLEARING ACCOUNTS OFFICE.

1409. ***Mr. Goswami M. R. Puri:** Is it a fact that there is no prescribed list of candidates eligible for promotions to sub-head's rank in the office of the Director, Railway Clearing Accounts, and that the promotions are made at the will of the Director?

Mr. P. E. Rao: No.

RESERVATION OF CERTAIN POSTS IN THE RAILWAY CLEARING ACCOUNTS OFFICE FOR THE MEMBERS OF THE MINORITY COMMUNITIES.

1410. ***Mr. Goswami M. R. Puri:** (a) Is it a fact that in the Railway Clearing Accounts Office posts for confirmation in Class III, have been reserved for the members of the minority communities when no qualified men of such communities are available?

(b) If the reply to part (a) be in the affirmative, will Government be pleased to state why these posts are not filled in by the majority communities?

Mr. P. E. Rau: (a) and (b). I have not been able to understand this question. My Honourable friend is well aware of the policy of Government with regard to the recruitment of minority communities in railway services.

Mr. President (The Honourable Sir Shanmukham Chetty): Mr. Maswood Ahmad's questions will be asked by Dr. Ziauddin Ahmad.

†For answer to this question, see answer to question No. 1407.

PRIVILEGES OF THE INSPECTORS OF STATION ACCOUNTS OF THE GREAT INDIAN PENINSULA RAILWAY.

1411. ***Dr. Ziauddin Ahmad** (on behalf of Mr. M. Maswood Ahmad): (a) Are Government aware that the terms and conditions of paragraph 16 at page 2 read in conjunction with paragraph 3 (a) at page 3 of Government of India, Railway Board's Memorandum No. 5565-F. of the 31st July, 1929, was not given correct and rigid effect to in respect of the Inspectors of Station Accounts of the Great Indian Peninsula Railway? If not, do they propose to enquire in the matter?

(b) Will Government be pleased to state the strength of the cadre of the Inspectors of Station Accounts of the Great Indian Peninsula Railway (i) when the Great Indian Peninsula Railway passed to State control in 1925, (ii) when the separation of Audit from Accounts was effected in 1929, and (iii) at present?

(c) Is it not a fact that a solemn assurance was given to all the staff taken over by the State in 1925 from the Great Indian Peninsula Railway by His Excellency The Earl of Reading, then Viceroy and Governor General—which assurance has since been confirmed by the Secretary of State for India—that none of the staff taken over would lose any of their privileges or prospects then existing as a result of the transfer to State control?

(d) If the reply to part (c) above be in the affirmative, will Government kindly state how they reconcile the discrepancies of the existing cadre of the Inspectors of Station Accounts of the Great Indian Peninsula Railway with its restricted prospects with what prevailed when the transfer to State control was effected?

Mr. P. R. Rau: (a) Though it is not quite clear from his question, I assume my Honourable friend is referring to the junior grade of Inspectors of Station Accounts. If so, I would refer him to the reply to his next question.

(b) I lay a statement on the table giving the information required.

(c) The assurance given was that officers and men on the railways to be taken over by the State need have no fears that the change will affect them adversely in the conditions of their service, pay or prospects.

(d) The permanent Inspectors taken over by Government were given the option of retaining their old scales of pay.

Statement giving certain information regarding the strength of the cadre of the Inspectors of Station Accounts of the Great Indian Peninsula Railway.

(i) When the Great Indian Peninsula Railway passed to State control :

Strength.	Cadro.
	Rs.
2 Posts of Travelling Audit Inspectors	500
5 " " " "	350—20—450
9 " " " "	210—15—330
15 " " " "	150—10—200
1 post of Travelling Audit Inspector for Institutes .	150—10—200

Strength.	Cadre.
(ii) When the separation of Audit from Accounts was effected in 1929. Rs.	
6 posts of Senior Travelling Inspectors of Accounts	290—20—450 New scale.
9 posts of Junior Travelling Inspectors of Accounts Grade, I	150—15—270 New scale.
14 posts of Junior Travelling Inspector of Accounts, Grade II.	130—8—170 New scale.
29	
4 posts of Junior Travelling Inspector of Accounts, Grade II	130—8—170 (Temporary).
33	
(iii) At present :—	
5 posts of Senior Travelling Inspectors of Accounts	290—20—450
7 posts of Junior Travelling Inspectors of Accounts, Grade I	150—15—270
11 posts of Junior Travelling Inspectors of Accounts, Grade II	130—8—170
23	
1 temporary post of Senior Travelling Inspector of Accounts from	290—20—450
24	

PRIVILEGES OF THE INSPECTORS OF STATION ACCOUNTS OF THE GREAT INDIAN PENINSULA RAILWAY.

1412. *Dr. Ziauddin Ahmad (on behalf of Mr. M. Maswood Ahmad):
(a) Will Government please quote the authority under which the junior second grade of Rs. 130—8—170 was introduced in respect of Inspectors of Station Accounts of the Great Indian Peninsula Railway and the authority for placing the existing staff in grades lower than those they had already attained on the separation? Are these not in contravention of provision in paragraph 16 at page 2 of the memorandum No. 5565-F. of the 31st July, 1929, and of paragraph 1(a) at page 3 of the said memorandum respectively?

(b) Will Government be pleased to place on the table a tabulated statement showing how paragraph 16 at page 2, read in conjunction with paragraph 1(a) at page 3, of the memorandum was applied to the (i) North Western, (ii) East Indian, (iii) Great Indian Peninsula Railways, respectively, and give reasons for the differential treatment accorded to the Inspectors of Station Accounts of the Great Indian Peninsula Railway?

(c) Are Government aware that grave dissatisfaction exists amongst the Inspectors of Station Accounts of the Great Indian Peninsula Railway, as most of the staff were placed on a lower maxima than those they had attained a decade ago, and have in addition received no increment for the past ten years, as a result of paragraph 16 at page 2, read in conjunction with paragraph 1(a) at page 3, of the memorandum having been misapplied? If so, will Government be pleased to state what steps they propose to take to rectify the errors made?

(d) Will Government be pleased to place on the table a tabulated statement showing the number of Inspectors of the North Western Railway, East Indian Railway, Railway Clearing House, and Great Indian Peninsula Railway who, on separation, were placed on grades lower than those to which they were entitled years before the separation of Audit from Accounts?

(e) Are Government aware that no Inspectors of Station Accounts of the North Western Railway, who were in service prior to the separation of Audit from Accounts already in receipt of Rs. 200 and over, were placed in the 170 grade, whereas on the Great Indian Peninsula Railway, Inspectors who had already attained the salary Rs. 200, were placed in the 170 grade and those who had attained Rs. 330 were placed in the 270 grade instead of in the 270 and 450 grades respectively?

(f) Will Government be pleased to state the reason for this differential treatment which adversely affected the Inspectors of Station Accounts of the Great Indian Peninsula Railway?

(g) Are Government aware that Inspectors of Clearing Accounts Office, Delhi, with a little over five years' service to their credit, and with no district responsibility to shoulder in respect of inspections are at present in the 270 grade, whereas Inspectors with about twenty years' service on the Great Indian Peninsula Railway, who had already attained a higher maximum and had been waiting for promotion to a higher grade, were also placed in the 270 grade?

Mr. P. R. Rau: (a) I would refer the Honourable Member to the memorandum by the Financial Commissioner of Railways on the separation of Accounts from Audit presented to the Standing Finance Committee and published in Volume V, No. 3 of the proceedings of that Committee for 1928 in which the grade of Junior Inspectors in question has been provided on all the State-managed Railways (including the Great Indian Peninsula Railway and excluding Burma Railways). I may add that the permanent staff at the time of introduction of the revised scales were given the option of remaining on their old scales of pay.

(b) If my Honourable friend will refer to pages 75 to 79 of the memorandum quoted above, he will find that there is no differentiation.

(c) to (g). The matter was recently represented to me by certain representatives of the staff and the question is under examination.

Dr. Ziauddin Ahmad: The Honourable gentleman has referred to a memorandum which has practically proved that this is incorrect, because the estimates given there did not come out to be true: is it not a fact that the Honourable gentleman himself knows that there was a serious criticism of that in the Retrenchment Committee?

Mr. P. R. Rau: Whether the estimates in that memorandum are true or not, the scales given there are not affected.

PRIVILEGES OF THE INSPECTORS OF STATION ACCOUNTS OF THE GREAT INDIAN PENINSULA RAILWAY.

1413. ***Dr. Ziauddin Ahmad** (on behalf of Mr. M. Maswood Ahmad):

(a) Will Government be pleased to place on the table a copy of the covering letter of the Chief Accounts Officer of the Great Indian Peninsula Railway, introducing the revised cadre of 1930 for Inspectors of Station Accounts and the authority for the threat of dismissal as an alternative to refusal to accept the same?

(b) Will Government be pleased to state, whether the entire staff of Inspectors of Station Accounts was alleged not to have been required after the date of separation? If so, why?

(c) Will Government be pleased to state whether this same revised order conflicts in material particulars with the sum and substance of the terms and conditions of Government of India, Railway Board's Memorandum No. 5565-F., of the 31st July, 1929 and especially with paragraph 16 at page 2 read in conjunction with paragraph 1 (a) at page 3 thereof? If so, why?

Mr. P. R. Rau: (a) and (b). I understand from the Chief Accounts Officer, Great Indian Peninsula Railway, that no such letter is traceable.

(c) I would refer my Honourable friend to the reply I have given to his last questions.

ARREARS OF INSPECTION WORK OF THE STATION ACCOUNTS OF THE GREAT INDIAN PENINSULA RAILWAY.

1414. ***Dr. Ziauddin Ahmad** (on behalf of Mr. M. Maswood Ahmad): Will Government kindly lay on the table a statement showing the arrears of inspection work of the station accounts of the Great Indian Peninsula Railway in days calculated on the basis of a comparison of the number of inspections which should be performed and the number which has been performed for the last two years?

Mr. P. R. Rau: The arrears of the past two years compare as follows:

	1931-32.	1932-33.
Number of inspections due	1752	1398
Number of inspections carried out	1500	1152
Arrears on last day of the year (Number of inspection-)	252	246

The information regarding the number of days required for inspecting the stations in arrears is not readily available. I may add that every station on the line was inspected at least once in each of the years mentioned above.

TIMINGS ACCORDED TO INSPECTORS OF STATION ACCOUNTS ON THE GREAT INDIAN PENINSULA RAILWAY TO INSPECT STATIONS.

1415. ***Dr. Ziauddin Ahmad** (on behalf of Mr. M. Maswood Ahmad): (a) Are Government aware that Inspectors of Station Accounts on the Great Indian Peninsula Railway are accorded certain timings to inspect stations, that these timings pertained twenty or thirty years ago and are at present totally insufficient to perform the work required and that as a result Inspectors have to actually work for twelve to fourteen hours a day and thereafter travel for the purpose of performing further inspections?

(b) Will Government be pleased to state if the nature of the duties of the Inspectors of Station Accounts of the Great Indian Peninsula Railway entail in addition a continuous absence on duty from week end to week end, and what arrangements are made to permit this staff time in respect of rest, food and recreation?

(c) Will Government be pleased to state if it is not a fact that Inspectors of Station Accounts on certain other State Railways are provided with carriages, whereas those of the Great Indian Peninsula Railway are not?

(d) Will Government be pleased to state the cause for this differential treatment, and what action they propose to take to remedy the same?

Mr. P. R. Rau: (a) I am informed that the checks required to be exercised in the past have actually been reduced since the beginning of this year. I have no reason to think that Inspectors on the Great Indian Peninsula Railway have ordinarily to do more work than Inspectors on other railways.

(b) The nature of the duties of Inspectors on the Great Indian Peninsula Railway is the same as those of Inspectors on other railways.

(c) If the question refers to the use of inspection carriages, I am informed that no such facilities are provided on State Railways to Inspectors of Accounts.

(d) So far as I am aware there is no differentiation.

Dr. Ziauddin Ahmad: Am I justified in drawing the inference from these answers that the separation of railway accounts from audit has proved to be more expensive and less efficient?

Mr. P. R. Rau: Certainly not.

Dr. Ziauddin Ahmad: Does the Honourable gentleman justify his answer?

Mr. P. R. Rau: These questions have nothing to do with the cost of separation of audit from accounts.

FRAUDS IN CONNECTION WITH TRAFFIC AND STATION ACCOUNTS ON THE GREAT INDIAN PENINSULA RAILWAY.

1416. ***Dr. Ziauddin Ahmad** (on behalf of Mr. M. Maswood Ahmad):

(a) Will Government be pleased to state the number of frauds brought to light on the Great Indian Peninsula Railway, in connection with traffic and station accounts, the parties held responsible for non-detection and the duration of the frauds prior to detection, during the past two years, and give a comparative statement for the previous two or five years?

(b) Are Government aware that the fraud at Kopergaon station on the Great Indian Peninsula Railway, covered a period of over eight months?

Mr. P. R. Rau: (a) The information is not readily available and Government regret that its collection will involve an amount of labour which is not likely to be justified by the results.

(b) I am informed that there is no reason to believe that the fraud at Kopergaon was due to the station being inspected less frequently than before. The station was inspected during the period in question.

Mr. Lalchand Navalrai: May I know how much it will cost to bring out this information?

Mr. P. R. Rau: It will cost more to get the figures collected.

Dr. Ziauddin Ahmad: Without an estimate, how does the Honourable gentleman come to the conclusion that it would cost an enormous sum?

Mr. P. R. Rau: At any rate to collect information to answer one more question means some more expenditure.

PRIVILEGES OF THE INSPECTORS OF STATION ACCOUNTS OF THE GREAT INDIAN PENINSULA RAILWAY.

1417. ***Dr. Ziauddin Ahmad** (on behalf of Mr. M. Maswood Ahmad):

(a) Are Government aware that Inspectors of Station Accounts, Great Indian Peninsula Railway, have in addition to adhering to a twelve to fourteen hour-day inspection work, and thereafter travel from station to station without a carriage or any suitable arrangement for rest, food, etc., to perform themselves certain duties, such as the despatch of letters, carriage of files, stationery and other official documents, etc.?

(b) Will Government be pleased to state the circumstances under which the peons allowance given to the Inspectors of Station Accounts of the Great Indian Peninsula Railway, under Company-management and continued to be paid by the Auditor General after the transfer to State control was discontinued on the separation of Audit from Accounts?

(c) Are Government aware that such discontinuance constitutes a distinct breach of faith in view of the solemn assurance accorded to the staff, taken over, by His Excellency Lord Reading as Viceroy that none would lose any of their privileges, etc. then existing?

Mr. P. R. Rau: (a) I would refer the Honourable Member to my reply to his question No. 1415.

(b) Government did not consider that there was any justification for continuing an allowance the stoppage of which had been recommended and accepted in principle before the separation of accounts from audit and which is not given to similar officers on other State-managed Railways.

(c) Government do not consider that their action is inconsistent with any pledges given to the staff.

Dr. Ziauddin Ahmad: Can I now put my question which is relevant in connection with this question about the separation of railway accounts from audit? My question was, is it not a fact that the separation of railway audit from accounts has proved to be more expensive and less efficient? The Honourable gentleman said, it did not arise on the previous question. It arises now.

Mr. P. R. Rau: I do not think my reply is different: it does not arise from this question either.

An Honourable Member: Try the next one.

INSPECTION OF CERTAIN STATIONS ON THE GREAT INDIAN PENINSULA RAILWAY.

1418. ***Dr. Ziauddin Ahmad** (on behalf of Mr. M. Maswood Ahmad):

(a) Are Government aware that A class stations, inspection of which was under Company-management entrusted to Divisional (senior scale) Inspectors of Station Accounts on the Great Indian Peninsula Railway, are now entrusted to junior scale Inspectors?

(b) Will Government be pleased to state if any of the large A class stations, taking ten days or over, have been closed down on the Great Indian Peninsula Railway to warrant the reduction in the number of senior scale appointments from eleven to five, i.e., under Company-management and as at present respectively, or whether the number of stations has increased as a result of the Great Indian Peninsula Railway taking over part of the East Indian Railway?

Mr. P. B. Rau: (a) The classification of the stations obtaining at present is slightly different from the classification in the Company's time. The present classification of the charges of Senior and Junior Inspectors which is based on the importance of the districts also secures that the more important stations are generally inspected by Senior Inspectors.

(b) No stations taking ten days and over have been closed down. One big station and some smaller stations have been added. After the separation of audit from accounts the number of posts of Senior Inspectors has been reduced by one only in connection with the revised system of inspections. The reduction of the number of Senior Inspectors from eleven to six had been effected in 1923, that is before the State took over the management of the Great Indian Peninsula Railway: and if I may add, in order to spare my Honourable friend the trouble of getting up again, this question also has nothing to do with the question of separation of accounts from audit.

IMPROVEMENT IN JAIL RULES.

1419. ***Mr Lalchand Navalrai:** (a) Have Government seen the pamphlet entitled "Indian Prisoners—a case for enquiry and an opportunity for progress" written by Mr. H. G. Alexander of the Society of Friends?

(b) If so, in view of the facts exposed therein, do Government propose to order an investigation by an independent and impartial agency with a view to improve the jail rules in the interests of the reforms in Indian jails? If not, why not?

The Honourable Sir Harry Haig: (a) I have seen the pamphlet.

(b) Government do not consider that the contents of the pamphlet make out a case for an enquiry of the kind suggested.

Mr. Lalchand Navalrai: Do Government think that the rules with regard to these prisoners require a drastic change?

The Honourable Sir Harry Haig: No, Sir, that is not the view of the Government.

Mr. Lalchand Navalrai: Will Government send for a copy of the rules that are prevailing in the provinces and consider the advisability of suggesting some changes?

The Honourable Sir Harry Haig: We went into this matter thoroughly some three years ago in consultation with representatives of this House and we reached certain conclusions and the rules then laid down have been in force ever since.

Mr. Lalchand Navalrai: That was three years ago. I am asking at present whether, since then, defects have been pointed out in the Press and elsewhere. Are Government prepared to go into that question and find out whether any revision is necessary?

The Honourable Sir Harry Haig: No, Sir, at the present moment we do not consider that there are any grounds for altering these rules.

Mr. Lalchand Navalrai: What are those grounds for not doing it?

The Honourable Sir Harry Haig: It is always a wise policy to let sleeping dogs lie.

Mr. H. P. Mody: Is there anything in this pamphlet which goes to show that the rules which were laid down three years ago are not being observed?

The Honourable Sir Harry Haig: We have had several questions on that point in the course of the last year or two, and I have always assured the House that the rules are being observed.

NEW FIVE AND TEN RUPEE CURRENCY NOTES.

1420. *Mr. Lalchand Navalrai: Will Government be pleased to state whether their attention has been drawn to the letters in the *Times of India*, of the 17th and 18th November, 1933, regarding the new currency notes of Rs. 5/- and Rs. 10/-? If so, will Government be pleased to state whether they intend at least to stop the re-issue of these notes? If not, why not?

The Honourable Sir George Schuster: The answer to the first part of the question is in the affirmative. As regards the second part, instructions have been issued to discontinue the re-issue from the Currency Offices of the five and ten rupee notes of the new design.

Mr. Lalchand Navalrai: While thanking the Honourable Member, I should like to know how many of these notes are in existence and how long it will take for them to disappear?

The Honourable Sir George Schuster: I want notice of the question.

Kunwar Hajee Ismail Ali Khan: How much have Government saved by reducing the size of the notes?

The Honourable Sir George Schuster: The saving calculated originally on reducing the size and adopting the new paper for the notes was about four lakhs of rupees a year. What we are now contemplating is using a thicker paper but keeping to the small size of the notes which would preserve a greater part of the saving.

Mr. S. C. Mitra: Who was responsible for the design that has now been given up?

The Honourable Sir George Schuster: I imagine that the Honourable Member has no particular objection to the design, but the objection is to the quality of the paper. If so, the suppliers of the paper are responsible for that.

Dr. Ziauddin Ahmad: In giving the estimates, did the Honourable Member include the cost of the design of those new notes?

The Honourable Sir George Schuster: I gave an estimate of the saving accruing from using thinner paper and smaller size of paper: that had nothing to do with the cost of furnishing the design.

Dr. Ziauddin Ahmad: It ought to be deducted from the estimate, because whenever there is a new design, there is an extra sum paid for it.

†1421*-1422*.

UNSTARRED QUESTIONS AND ANSWERS.

INCONVENIENCE DUE TO CLOSING OF RAILWAY CROSSING GATE AT UNAO.

308. Rai Bahadur Lala Brij Kishore: Will Government be pleased to state what will be the cost of providing a sub-way in place of the present railway crossing gate at the Cawnpore end of Unao junction? Are Government aware that this gate connects the city with the courts, and that great hardship is experienced by the public due to the gate being closed for considerable periods due to train movements?

Mr. P. R. Rau: The Honourable Member is referred to the information which was laid on the table on the 30th August, 1933, in reply to his starred question No. 389 on the same subject.

ALLOWANCES OF TRAVELLING TICKET EXAMINERS.

309. Sardar Sant Singh: With reference to their reply on the 23rd March, 1932, to question No. 889 (c), will Government please lay on the table a statement comparing the expenditure and earnings of the old Travelling Ticket Examiners and the present Special Ticket Examiners and showing the extent of economy for the financial years 1930-31, 1931-32 and 1932-33?

Mr. P. R. Rau: Government do not consider that the so-called earnings of the Travelling Ticket Examiners can be taken as furnishing a true measure of the efficiency of a particular system of ticket checking. The collection of the information required by the Honourable Member will involve a considerable amount of labour and expense which Government do not consider justified in incurring.

WITHHOLDING OF HOUSE RENT ALLOWANCE FROM THE TRAVELLING TICKET EXAMINERS ON THE NORTH WESTERN RAILWAY.

310. Shaikh Sadiq Hasan: (a) Are Government aware that house-rent in lieu of free quarters was and is being paid to the ticket checking staff at stations on the North Western Railway?

(b) Was this allowance being withheld from the ticket checking staff on trains, designated as Travelling Ticket Examiners, before the 1st June, 1931, on the ground of their being in receipt of mileage allowance like Guards?

(c) If it was not withheld on this ground, will Government please state on what ground it was withheld?

(d) Are Government aware that since the withdrawal of mileage allowance from the 1st June, 1931, the house-rent allowance is not being paid to the Special Ticket Examiners generally, although it is being paid to the Special Ticket Examiners recruited from station staff?

†These questions were withdrawn by the questioner.

(e) If so, will Government state why the house-rent allowance is not being paid generally to the Special Ticket Examiners of the old Travelling Ticket Examiners cadre from the time their mileage allowance was withdrawn?

(f) Is there any difference between the duties of both these sets of Special Ticket Examiners? If so, will Government please state what?

(g) Are Government aware that house-rent allowance in lieu of free quarters is being paid to some of the old Travelling Ticket Examiners, now classed as Special Ticket Examiners, who held posts carrying house-rent allowance previous to their being appointed as Travelling Ticket Examiners in some of the Divisions, whereas it is not being paid to staff similarly situated on other Divisions?

(h) If so, will Government state why a differential treatment is being meted out to such old Travelling Ticket Examiners on different Divisions?

(i) Are Government aware that this anomaly in the procedure on the various Divisions is going on for the last 30 months and the employees from whom the house rent allowance is being withheld, have made repeated representations to higher authorities, but the Administration have not been able to meet their grievance during the last 30 months?

(j) Are Government prepared to take up with the Agent, North Western Railway, and with the Chief Accounts Officer of that Railway the question of allowing the house rent allowance in the case of some employees and disallowing it in the case of others?

(k) Do Government propose to ask, for the information of this House, the Chief Accounts Officer of the North Western Railway to explain the reasons for this differential treatment?

Mr. P. R. Rau: (a) and (b) The Agent, North Western Railway, reports that before the 1st August, 1928, Ticket Collectors were held to be eligible for free quarters or house rent allowance in lieu but Travelling Ticket Examiners were not held to be so eligible. The exact grounds for this decision are not traceable, but probably the reason may have been that there is no necessity for Travelling Ticket Examiners to reside in any particular locality whereas it is desirable that the ticket checking staff of a station should live near the station.

(b) Government have no reason to believe that this was the reason.

(d) and (e). Under the revised rent rules which were introduced on the North Western Railway in 1928 those who were in receipt of free quarters before the introduction of the rules continued to be eligible for free quarters so long as they were holding posts, which, under the previous rules, entitled them to free quarters.

(f) The answer is in the negative.

(g) to (k). I have called for certain information and will lay a reply on the table in due course.

OPTION GIVEN TO THE OLD TRAVELLING TICKET EXAMINERS, NORTH WESTERN RAILWAY, OF CHOOSING THE OLD SCALE OF PAY.

311. Shaikh Sadiq Hasan: (a) Will Government please state whether by their recent decision to give the option to the old Travelling Ticket Examiners of choosing the old scale of pay it is contemplated to retain the old strength of the higher posts in the old cadre as an opening for their promotions in that cadre?

(b) If so, will Government please state whether they approve the policy of the North Western Railway in appointing outsiders, such as military pensioners, etc., and thus decreasing the chances of promotions of old Travelling Ticket Examiners to higher grades in their old scale which is now being restored to them?

(c) Is it a fact that there are rules framed by the Administration that the pension *plus* civil pay of an employee should not exceed his military pay?

Mr. P. B. Rau: (a) This question has not been considered yet.

(b) I cannot readily see how this question can arise since no outsider will be appointed on the old scale.

(c) I am informed that the Administration has framed no special rules relating to the pay of military pensioners in the employment of the railway; such cases are regulated by article 526 of the Civil Service Regulations.

PROVISION OF *DURRIES* IN THE OFFICE ROOMS IN THE SECRETARIAT BUILDINGS, NEW DELHI.

312. **Pandit Satyendra Nath Sen:** (a) Is it a fact that *durries* were provided by the Public Works Department for all the office rooms in the Secretariat buildings, including the office of the Director General, Posts and Telegraphs?

(b) What was the reason for the provision of *durries*?

(c) Is it a fact that they have since been taken away from the office of the Director General, Posts and Telegraphs? If so, have *durries* been taken away from the office rooms of any other office of like status in the Secretariat buildings, such as Railway Board, Auditor General, etc.? If not, why not?

(d) Have *durries* and costly carpets been similarly taken away from the rooms of the officers of the office of the Director General, Posts and Telegraphs? If not, why not?

The Honourable Sir Frank Noyce: (a) Yes, on payment by the Director General of Posts and Telegraphs.

(b) They were supplied as one of the amenities usually found in furnished rooms.

(c) As regards the first part, certain of the *durries* were worn out and unserviceable. They were therefore removed and replaced by matting, an arrangement which is regarded as satisfactory by those concerned. As regards the second part, Government understand that in certain cases the *durries* have been removed and when necessary, replaced.

(d) The reply is in the negative as the *durries* and carpets in question have not yet become unserviceable.

HOLIDAYS FOR MAHALAYA IN THE OFFICE OF THE DIRECTOR GENERAL, POSTS AND TELEGRAPHS.

313. **Pandit Satyendra Nath Sen:** (a) Is it a fact that the Bengali Hindu clerical staff of the office of the Director General, Posts and Telegraphs used to get a holiday for Mahalaya, when the office was in Calcutta?

(b) Is it a fact that they were not deprived of that holiday ever since the office was removed to Delhi?

(c) Is it a fact that as usual the staff of that office had submitted this year an application in time for the grant of the holiday on Mahalaya which fell on the 19th September last to enable them to perform the religious ceremonies?

(d) Is it a fact that that application was not submitted at all to the Director General for his orders by the official responsible for doing so?

(e) Is it a fact that the staff, had to submit a telegraphic prayer to the Director General in Simla as the last alternative?

(f) Is it a fact that due to the telegram being delayed in transit, or for some other reasons, it did not reach the Director General in time to enable him to consider the prayer of his staff?

(g) Is it a fact that thus the staff was deprived of the holiday and was, therefore, unable to perform the religious rites fully, as enjoined by their Shastras?

The Honourable Sir Frank Noyce: (a) Yes, since the day in question is a gazetted holiday in Bengal, though not in Delhi.

(b) Leave has in the past been granted subject to arrangements for the conduct of urgent and immediate work and on the condition that those who might not be observing the holiday should attend office.

(c) Yes, on the 15th September.

(d) It is not usual to submit applications for special holidays to the Director General in Simla but to the senior officer present in New Delhi. The usual procedure was followed on this occasion.

(e) A telegram was sent by the Hindu staff at 17-20 hours on the 18th which reached Simla after 6 P.M.

(f) The telegram was received late but the Director General upheld the orders of the senior officer at Delhi.

(g) The facts are not as stated by the Honourable Member. The senior officer present in New Delhi permitted the Hindu staff who would be performing the ceremony to be absent until 2 P.M. It was not found possible to let off all the Hindu clerks as the Legislature was then in Session.

OFFICE HOURS OF THE DEPARTMENT OF INDUSTRIES AND LABOUR AND ITS ATTACHED OFFICES.

314. Pandit Satyendra Nath Sen: (a) Is it a fact that the staff of the Department of Industries and Labour, including its Attached Offices, has been ordered to attend office at 10 in the morning during the Council Sessions? If so, what are those Attached Offices?

(b) Has the staff of any other Government of India office been similarly ordered to attend office at 10 in the morning? If not, why has a different case been made out for some of the offices?

(c) Has the approval of the Home Department been obtained in making the said deviation from the usual practice? If not, why not?

(d) Has the staff of the Department of Industries and Labour, including that of the Attached Offices, attending office at 10 in the morning been allowed to leave office at four in the afternoon? If not, why not?

The Honourable Sir Frank Noyce: (a) Yes. The Attached Offices are the Offices of the Director General, Posts and Telegraphs, and Director of Civil Aviation.

(b) Yes.

(c) No.

(d) No. The attention of the Honourable Member is invited to the reply to Mr. S. C. Mitra's starred question No. 1305 relating to office hours.

CONDITIONS OF ELIGIBILITY FOR ADMISSION TO THE MINISTERIAL SERVICE EXAMINATION.

315. Pandit Satyendra Nath Sen: (a) Will Government be pleased to state whether it is a fact:

(i) that the Notice dated the 25th March, 1933, issued by the Secretary Public Service Commission, and the Application Form for the Ministerial Service Examination held in July, 1933, prescribed the conditions of eligibility so far as outside candidates were concerned;

(ii) that nothing specifically was mentioned about the conditions of eligibility of Government servants who were already in permanent Government employ?

(b) If the answer to part (a) (ii) above be in the negative, will Government please quote the relevant extract from the rule or rules which conveyed clear instructions on the point?

(c) With reference to the reply given on the subject, in answer to the supplementary question to starred question No. 825, dated the 12th September, 1933, is it a fact that the question of wastage of time stands in the way of Government in looking into these applications for refund of fees?

(d) If so, will Government please state how much time is likely to be taken if the enquiries are confined to these particular cases alone?

(e) Do Government propose to reconsider the matter, and refund the fees in these isolated cases alone? If not, why not?

The Honourable Sir Harry Haig: (a) (i) and (ii) and (b). Paragraph 8 of section A of the notice laid down the conditions of eligibility for all candidates, whether external or departmental, other than those to whom Section B was applicable. It was prominently stated in large type in the application form that candidates must see that they are eligible before filling up that form or paying the examination fee into a treasury, that no relaxation of any of the conditions prescribed will be made in any case and that the fee will not be returned under any circumstance whatever.

(c), (d) and (e). Since the Notice and the application form in connection with the Ministerial Service examination held in July, 1933, were clear and unambiguous, Government do not propose to pursue the matter further.

VACANCIES IN THE GRADE OF SUB-HEADS IN THE EAST INDIAN RAILWAY
ACCOUNTS DEPARTMENT.

316. Pandit Satyendra Nath Sen: (a) Will Government be pleased to state the number of vacancies in the sub-head's grade, whether permanent, officiating, or temporary, that occurred in the East Indian Railway Accounts Department from April, 1933, to date together with the number of the following classes of staff who were promoted to these vacancies :

- (i) reverted sub-heads; (ii) clerks who had passed the Appendix 'D' or 'E' Examination or Part II of the Railway S. A. S. Examination; (iii) other classes of staff?

(b) Is it a fact that in terms of the Controller of Railway Account's letter No. 77-E./31/CRA/III, dated the 20th July, 1932, 50 per cent. of the vacancies in the sub-head's grade are to be reserved for the clerks referred to in (a) (ii) above?

(c) Is it a fact that not to speak of promotion to the sub-head's grade, even promotion to the grade of clerks Class I is being denied to these clerks in the East Indian Railway Accounts Department?

(d) Has it been decided that a clerk who is entitled to promotion to the grade of sub-head, is at the same time ineligible for promotion to the next lower grade of clerks Class I?

(e) If not, will Government be pleased to state whether there was any such interpretation of rules? If so, by whom?

Mr. P. R. Rau: The information required by the Honourable Member is being collected and will be laid on the table when received.

DUTIES PERFORMED BY THE LOWEST GRADE CLERKS IN THE EAST INDIAN
RAILWAY ACCOUNTS DEPARTMENT.

317. Pandit Satyendra Nath Sen: (a) Is it a fact that in the East Indian Railway Accounts Department lowest grade clerks are made to discharge the duties of clerks Class I without any extra remuneration for prolonged periods?

(b) Will Government be pleased to state the total number of such clerks at present of the Railway Administration?

(c) Do Government propose to regularise the matter either by giving some remuneration to the clerks or by putting only Class I clerks against Class I posts?

Mr. P. R. Rau: (a) With the exception of five posts promotions have been made to all vacancies in the grade of clerks Class I. Arrangements have also been made to fill the remaining five vacancies.

(b) and (c). In view of the reply to (a) above the questions do not arise.

SENIORITY OF THE EAST INDIAN RAILWAY AND OLD OUDH AND ROHILKHAND
RAILWAY STAFF.

318. Rai Bahadur Lala Brij Kishore: Will Government be pleased to state if they are in a position now to give the information promised in reply to my questions put on the 12th September, 1933, No. 818 and several other questions of the same date?

Mr. P. R. Rau: Government are awaiting certain information in regard to some of the questions and a reply will be laid on the table of the House as soon as practicable.

JHATKA IN RAILWAY PREMISES.

319. Shaikh Sadiq Hasan: (a) Will Government please state if *jhatka* is permissible in railway quarters?

(b) If not, will Government please enquire if *jhatka* cases were reported at Khanewal and Montgomery railway sheds?

(c) Did any *jhatka* hawker ever visit the Khanewal Shed quarters and was the matter reported by certain Muslim employees?

(d) Is *jhatka* meat available for sale in Khanewal Mandi?

(e) If the reply to (d) be in the affirmative, will Government please state why a provision pass was issued for Lahore to bring *jhatka* meat for the Hindu Refreshment Room at Khanewal by the Railway Administration?

(f) Was it proved during the course of Montgomery enquiry that *jhatka* did occur within the Railway premises?

(g) If so, what action was taken against the men found guilty?

Mr. P. R. Rau: (a) and (b). Any laws which there may be as to *jhatka* will have been enacted by Provincial Legislation and Government have no information.

(c) to (g). Government have no information.

RECRUITMENT OF MINORITY COMMUNITIES ON THE NORTH WESTERN RAILWAY.

320. Shaikh Sadiq Hasan: (a) Will Government please state when the orders for the recruitment of minority communities were issued?

(b) How many appointments, temporary or permanent, were made in the Multan Division of the North Western Railway since the issue of orders mentioned in (a) above?

(c) How many Hindus were appointed in comparison to Muslims and members of other minority communities?

Mr. P. R. Rau: (a) The instructions to State Railway Administrations in regard to the policy of Government in the recruitment of subordinate railway establishments were issued in Railway Board's letter No. 2395-E, dated the 23rd May, 1929.

(b) and (c). Government regret they are not prepared to supplement with figures for individual offices or Divisions the information in regard to communal representation in railway services which is given in the annual Administration Report of Indian Railways.

CLASSIFICATION OF POSTAL RECORD SUPPLIERS AS SUPERIOR SERVANTS.

321. Seth Liladhar Chaudhury: (a) Is it a fact that record suppliers attached to the Offices of Heads of Postal Circles were granted the scale of Rs. 45—4—85 and are treated as inferior servants and as such are on retirement entitled to fixed pension of Rs. 4 per month?

(b) Is it also a fact that the same scale of pay is sanctioned for Head Postmen, Overseers, Branch Postmasters, Record Munshis in Government

Telegraph Office, Record Sorters in Railway Mail Service and Lower Division Clerks, etc., employed at first class stations in the Postal Circles, but that unlike Record Suppliers, they are classed as superior servants and get half of their pay as pension on retirement?

(c) Is it a fact that certain Record Suppliers of the Punjab Circle Office represented to the Director General, Posts and Telegraphs in July, 1929, praying that they may be classed as superior servants and that after prolonged exchange of correspondence for about four years they were finally in Director General's memo. No. S.-244/1, dated the 26th January, 1933, informed that owing to adverse financial conditions the proposal under consideration was dropped?

(d) Are Government prepared to reconsider the question and class the Record Suppliers as superior servants?

The Honourable Sir Frank Noyce: (a) The facts are as stated by the Honourable Member except that the pay of the staff mentioned varies according to the locality in which they are employed. The scale of Rs. 45—4—85 is the scale of pay of such staff employed at Lahore and Lucknow.

(b) Yes.

(c) Yes.

(d) The question of classifying Record Suppliers as superior servants had been under consideration together with the case of other classes of inferior servants drawing the same scales of pay. As the scheme involves considerable expense it was not possible to pursue it in the present unfavourable financial conditions. Government will again consider the question when the financial position permits.

NON-APPOINTMENT OF HINDU SUPERINTENDENTS IN THE PESHAWAR AND DERAJAT POSTAL DIVISIONS.

322. Seth Liladhar Chaudhury: Is it a fact that no Hindu Postal Superintendent has held charge of the Peshawar and Derajat Divisions for years past? If so, will Government be pleased to state reasons for debarring Hindu Superintendents from holding charge of these two Divisions?

The Honourable Sir Frank Noyce: The reply to the first part of the question is in the affirmative. As to the second part, Hindu Superintendents are not debarred from holding the charges mentioned, nor are such posts filled as a rule on communal considerations but conditions in these two Divisions are exceptional.

GRIEVANCES OF THE EMPLOYEES WITHIN THE COMPETENCE OF THE HEAD OF A POSTAL CIRCLE.

323. Seth Liladhar Chaudhury: (a) With reference to the reply of the Honourable Sir Frank Noyce to Bhai Parmanand's question No. 984 on 16th September, 1933, will Government please state what exactly is meant by saying that the matter which is within the competence of the Head of the Circle does not require an answer on the floor of this House?

(b) If Government are not prepared to vouchsafe answers to such questions, what measures do Government propose to take to redress the grievances of the employees who are within the competence of the Head of the Circle and in which no action is taken by that officer?

The Honourable Sir Frank Noyce: (a) If the Honourable Member will refer to the reply alluded to he will find that it is nowhere stated that "the matter does not require an answer on the floor of the House".

(b) No allegation was made in Bhai Parma Nand's question that any officer competent to deal with the complaints referred to failed to take suitable action after they had been brought to his notice; and in consequence Government did not consider that any action on their part was necessary. Government servants are allowed liberal opportunities of representing their grievances through the proper official channel if they desire to do so and when no such representations have been received by Government and no allegations are made of failure of duty on the part of their officers Government are not prepared to call for reports on matters with which responsible subordinate officers are fully competent to deal.

APPOINTMENT OF DRAFTSMEN AND CLERKS IN THE DELHI TELEGRAPH ENGINEERING DIVISION.

324. Seth Liladhar Chaudury: Is it a fact that four temporary or officiating posts of draftsmen and clerks were created during 1932-33 and 1933-34 in the Delhi Telegraph Engineering Division and three out of the four were filled up by Muslims and the fourth by a Sikh (all members of minority communities)? If so, will Government kindly state the reasons why Standing Orders to the effect that every third vacancy should be given to a member of minority community were not followed?

The Honourable Sir Frank Noyce: The facts are not exactly as stated by the Honourable Member. One temporary clerical post was created in 1933 in the office of the Divisional Engineer, Telegraphs, Delhi, and this, which was a third vacancy, was given to a Muslim by reservation on communal considerations. One temporary post of draftsman for building works was created in 1932 and the sanction was renewed in 1933, and a similar additional temporary post was created in 1933; the first post was held in turn by two Muslims and the second by a Sikh, and these appointments were made on merit. There are no standing orders that the recruitment of members of minority communities is to be restricted to third vacancies, irrespective of merit.

GRANT OF DISABILITY PENSION TO CERTAIN PERSONS INVALIDED DURING THE GREAT WAR.

325. Mr. S. G. Jog: (a) Has the attention of Government been drawn to letter No. A./18/195/29, dated the 8th November, 1933, of the Officer Commanding, 10/6th Rajputana Rifles, Nasirabad?

(b) If so, will Government please state if the conclusions were arrived at in consultation with the pension sanctioning authorities?

(c) Are not the principles accepted by Government in their orders on Recommendation Nos. V, VI, VII, XXI of the War Pensions Committee, in respect of attributability, reconsideration of rejected claims, arrears, and re-examination of claims, respectively, intended to apply generally, unaffected at all by decisions, in pre-committee period, either of (i) one or more Medical Boards, or of (ii) one or more offices including that of the Government of India, under paragraph 202 of the Pensions Regulations for the Army in India?

(d) If the reply to part (c) be in the affirmative, what steps do Government propose to take to effect justice in matters of this category?

(c) In what way the disability referred to in part (a) above does not fall under recommendation No. V of the Committee?

Mr. G. B. F. Tottenham: Enquiries about questions Nos. 325 to 329 have been instituted and replies will be laid on the table in due course.

GRANT OF DISABILITY PENSION TO CERTAIN PERSONS INVALIDED DURING THE GREAT WAR.

†326. **Mr. S. G. Jog:** (a) Has the attention of Government been drawn to letter No. G-3/2292, dated the 10th October, 1933, of the Deputy Controller of Military Pensions, Lahore, and state whether the acceptance by Government of Recommendation No. V of the War Pensions Committee is intended to include only disabilities occurring on field service, to the exclusion of those occurring on foreign service during the Great War?

(b) If so, what are their reasons for such a view?

GRANT OF DISABILITY PENSION TO CERTAIN PERSONS INVALIDED DURING THE GREAT WAR.

†327. **Mr. S. G. Jog:** (a) Has the attention of Government been drawn to letter No. G-3/5138, dated the 17th November, 1933, of the Deputy Controller of Military Pensions?

(b) If so, will Government please refer to their orders on recommendation No. III of the War Pensions Committee, and state whether they do not intend to admit appeals in cases of asthma, sciatica, epilepsy, insanity, etc., and in which cases, fresh Medical Boards, by examining the individual once or twice, on a particular date, had declared that the individual was not suffering from any disability, either on the date of his discharge previously ordered by a competent Board as unfit for further service during the War, or on the 1st January, 1922, the date with effect from which the new disability pension rules were brought in force, and on which the same percentage of the disability is taken to exist as on the date of invalidment for the purpose of giving benefit of the 1922 rules?

(c) Do Government not recognize the principle, as has been done by the Ministry of Pensions Medical Review, given on page 315 of the Official History of the War, that certain diseases that are latent at certain times, emerge in appreciable intensity after indefinite periods of varied length?

(d) Will Government please state the principle under which fresh Medical Boards have been certifying disabilities as in part (b) above?

(e) In the light of the view as stated in part (c) above, what justification is there for the findings as in part (b)?

(f) In what way do Government feel justified in disallowing appeals of the category mentioned in parts (a) and (b) above, under the phrase "professional aspect of the case" occurring in Government orders on Recommendation No. III of the War Pensions Committee?

GRANT OF DISABILITY PENSION TO CERTAIN PERSONS INVALIDED DURING THE GREAT WAR.

†328. **Mr. S. G. Jog:** (a) Has the attention of Government been drawn to letter No. 75/152, dated the 19th May, 1931, from the Officer Commanding, Indian Military Hospital, Lucknow, to the Officer Commanding, 2/7th Rajput Regiment (P. A. V.)?

†For answer to this question, see answer to question No. 325.

(b) If so, will Government please state the reasons for not accepting the certificate for the attributability of death to military service granted by the Officer Commanding Indian Military Hospital, in that letter?

(c) Will Government please state the principle, under which pneumonia, on field, or in peace, arising out of (i) one's exposure to cold on duty, (ii) as a result of complications of some disease arising on field or foreign service otherwise attributable to service or (iii) due to one's confronting sudden changes in climates on account of movements undertaken by orders, has been regarded as not attributable to service?

(d) What is the view of the Ministry of Pensions in this respect? Have they been disallowing family pensions on account of deaths arising out of pneumonia?

(e) Have the cases of the families of the British personnel and officers of the Army in India who died of pneumonia been held as inadmissible for pensions?

(f) Do the Recommendations No. V and VIII of the War Pensions Committee and the orders of Government thereupon exclude the consideration of deaths due to this disease?

(g) If not, will Government please refer to letter No. B.-26398 (A.G.-14), dated the 27th November, 1933 of the Adjutant General's office, and reconcile it with their policy to be adopted now? Does not the definition for the term 'attributable to military service' in paragraph 414 of the Medical Regulation for the Army in India, cover pneumonia?

(h) If it does, how is it that no death amongst Indian ranks on account of pneumonia, has so far been held as attributable to military service?

GRANT OF DISABILITY PENSION TO CERTAIN PERSONS INVALIDED DURING THE GREAT WAR.

†329. **Mr. S. G. Jog:** (a) Has the attention of Government been drawn to letter No. G.-3/3829-A., dated the 24th October, 1933, from the Deputy Controller of Military Pensions, to the Officer Commanding 5/6th Rajputana Rifles, Aurangabad?

(b) If so, will Government please state whether the Orders of Government on Recommendations No. VI and VII are not intended to apply to claims already disposed of by the Army Department. Government of India, in the light of the principles and practice contained in their statements laid on the table of this House from time to time?

(c) In what way such claims are being considered by the Deputy Controller of Military Pensions as not falling under the recent orders on Recommendations No. VI, VII and XXI?

(d) What do Government propose to do to mitigate grievances of this kind?

†For answer to this question, see answer to question No. 325.

GRANT OF DISABILITY PENSION TO CERTAIN PERSONS INVALIDED DURING THE GREAT WAR.

330. Mr. S. G. Jog: Will Government please state the principle under which claims to appropriate higher rates of pension on account of a substantial increase in the disability as a result of its original cause, admissible in 1922 and 1927 Pension Regulations, have been declared time-barred under A. I. I. 53 of 1932?

Mr. G. R. F. Tottenham: Government are not aware of any case of the kind mentioned by the Honourable Member.

GRANT OF DISABILITY PENSION TO CERTAIN PERSONS INVALIDED DURING THE GREAT WAR.

331. Mr. S. G. Jog: Will Government please refer to their answer to question No. 1498 (e) of the 29th November, 1932, and state the principle under which periods of investigation of family pension claims, ranging between two to five years are not discounted for the purpose of granting arrears, the maximum limit of which has been fixed at five years including the period of investigation which may itself extend to five years or longer?

Mr. G. R. F. Tottenham: Claims to family pensions are never time barred. The limit of five years applies only to those cases in which the explanation for the delay in submitting a claim is not satisfactory.

PERMANENT APPOINTMENTS HELD BY INDIAN CHRISTIANS IN CERTAIN OFFICES.

332. Rao Bahadur M. C. Rajah: Will Government be pleased to state whether any Indian Christians hold permanent appointments in the following offices?

- (i) Imperial Council of Agricultural Research;
- (ii) Office of the Assistant Military Secretary (Personal);
- (iii) Engineer-in-Chief's Branch;
- (iv) Judge Advocate General's Branch;
- (v) Medical Directorate;
- (vi) Military Secretary's Branch;
- (vii) Office of the Private Secretary to His Excellency the Viceroy;
- (viii) Office of the Military Secretary to His Excellency the Viceroy;
- (ix) Legislative Department;
- (x) Central Board of Revenue.

(b) If not, do they propose to give any permanent appointments to them?

(c) Are there any other Departments where this community has not so far been represented? If so, do Government propose to direct that future vacancies be given to this community in those Departments as well?

The Honourable Sir Harry Haig: (a) Of the offices mentioned, an Indian Christian is at present holding a permanent appointment in the Legislative Department.

(b) and (c). As already explained by me in the answer given to the Honourable Member's starred question No. 936 on the 15th September.

1933, it is not possible to secure the representation of all minority communities in all offices, particularly those the staff of which is small. Government do not therefore consider it necessary to issue any special instructions of the kind suggested by the Honourable Member.

THE RESERVE BANK OF INDIA BILL.

Mr. President (The Honourable Sir Shanmukham Chetty): The House will now resume consideration of the Reserve Bank of India Bill.

The question is:

"That clause 9 stand part of the Bill."

Mr. K. P. Thampan (West Coast and Nilgiris: Non-Muhammadan Rural): Sir, I beg to move:

"That in sub-clause (1) (a) of clause 9 of the Bill, for the word 'five' the word 'eight' be substituted."

The Bill, as drafted, contemplates to have eight members for the Local Boards: five of them will be elected by the shareholders and three nominated by the Central Board. One of the chief objects aimed at thereby is to create more or less a kind of electoral colleges for electing Directors to the Central Board: at any rate that is one of the chief objects. . . .

Mr. President (The Honourable Sir Shanmukham Chetty): Is the object of this amendment to increase the number of Directors?

Mr. K. P. Thampan: No, not Directors, but members of the Local Board. So it is advisable to widen the electorate as much as possible in regard to the election of Directors to the Central Board. With regard to other functions that are allotted to the Local Boards also, it is highly desirable that all interests should be represented in the Local Board. In all the provinces you have got the commercial interests, the agricultural interests, the banking interests and the co-operative interests and many other interests that might require representation on the Local Boards. My object in moving this amendment is that the representatives of these various interests should find a place in the Local Board through the channel of election, and that can be achieved only if the number of elected members of the Local Boards is made eight instead of five.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (1) (a) of clause 9 of the Bill, for the word 'five' the word 'eight' be substituted."

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, I beg to support this amendment, but for entirely different reasons. I substantially support the arguments advanced by my friend, Mr. Thampan, that we want the representation of various interests on these Local Boards; but, in addition to that, I would urge another

argument and that is this. We have already decided that the election should be an indirect election, but I maintain that the election of two persons out of five will lead to jobbery. I illustrated it on the floor of the House the other day, and I don't like to repeat it as we are hard pressed for time, but I shall mention the case of only one election which I could not illustrate fully on the last occasion; and I am afraid if this amendment is not accepted, we are likely to have the same kind of elections to these Local Boards. I have in mind the case of an election in a University. There were five Fellows, out of whom the Master died, and the Four Fellows sat down together to elect the Master. One of them was the senior, but was not very competent, the second was the most competent man, while the other two were neutral. When they assembled the seniormost man was voted to the Chair, and the neutral man naturally proposed the most efficient man to be elected as the Master. The Chair-man voted for himself and he got the second vote of the person who was really most competent. He did not vote on account of his modesty for himself. The two neutral men really voted for the most efficient man, with the result that there were two votes on each side, and the President gave a casting vote in his own favour. He got a double vote in his favour first as a member and then as President. He thus got himself elected without securing any impartial vote. If you elect two persons out of five, then cases of jobbery will arise, and even if all the five are present, it is possible for two of them to lure the third man by offering him very good prospects of his being made a substitute Director to attend two meetings on behalf of one candidate and two meetings on behalf of another candidate, and also the prospect of being given three persons of his own liking so that he may become the king of the Local Board. I am afraid, the electoral college you have created for indirect election to elect two persons is hopelessly small. It will work in a hopeless manner. If one person absents himself, then two persons can combine and can always get themselves elected. Therefore, if you really want that there should be *bona fide* elections, if you really want that efficient men should be elected and scheming persons should be kept out, it is very necessary that the Local Board should be sufficiently large, that is to say, eight persons to elect two is not a very big thing. Therefore, the proposal of my friend is very reasonable, because, if it is not accepted, you better not have any election at all, but put anybody you like as a Director.

The second argument which has a very important bearing on this question is, one register will have about four or five provinces, and still we have to represent so many different kinds of interests, agriculture, commerce, and so forth; then there will be minority interests, there will be this interest and that interest to be represented, and I think it will be very difficult to find room for the representation of all these interests. So, I say that the Local Boards should be sufficiently large so as to include in them all the various interests, and, therefore, I ask that in order that the elections should be made real and not a farce or jobbery, the number of members should be increased as suggested in the amendment. I strongly support this amendment.

The Honourable Sir George Schuster (Finance Member): Sir, I must oppose this amendment. We have all listened, I am sure, with great interest, to my friend's educational reminiscences, and I have wondered myself whether he perhaps personally was that most competent but unfortunately modest man who refused to vote for himself. I think there

[Sir George Schuster.]

is a good deal of misapprehension on this matter. My friend has spoken about these Local Boards as electoral colleges. They are not electoral colleges at all. They are intended to be Local Boards which, as the Bank develops, we hope, will have increasingly important functions to perform. Inasmuch as the Boards are small and consist only of five elected members, we come very near to that principle of direct election which my friend himself advocates. If he now wishes to enlarge the Board to eight, he will not secure an adequate electoral college, but on the other hand, he will make the election much more indirect than it would be otherwise. For that reason I should have expected to find my friend opposing this amendment. Sir, it would be, we think, undesirable to have Local Boards consisting of as many as 11 members. Five members would be adequate with the possibility of adding three more by nomination in order to ensure that interests which have not secured representation by election should come in. It was a carefully thought out proposal, and I see nothing to commend my friend's amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (1) (a) of clause 9 of the Bill, for the word 'five' the word 'eight' be substituted."

The motion was negatived.

Mr. B. Sitaramaraju (Ganjam *cum* Vizagapatam Non-Muhammadan Rural): Sir, I do not propose to move my amendment No. 116.

Mr. K. P. Thampan: Sir, I don't wish to move my amendment No. 13 in the Supplementary List.

Mr. Lalchand Navalrai (Sind Non-Muhammadan Rural): Sir, I know that there will be opposition to my amendment No. 117, and so I don't move it. No. 118 is consequential, Sir, and so I don't want to move this also.

Dr. Ziauddin Ahmad: Sir, it is only a question of re-drafting the whole thing, and so I don't like to move my amendment No. 121, but I would like to speak on the next motion, one man one vote.

Mr. President (The Honourable Sir Shanmukham Chetty): Does the Honourable Member wish to move his next amendment, No. 122?

Dr. Ziauddin Ahmad: Yes, Sir, that is very important.

I beg to move:

"That in sub-clause (2) of clause 9 of the Bill, the words 'as holding five shares', in the fifth line, be omitted."

Will you permit me to move another amendment, that is, No. 124, because Nos. 122 and 124 go together. One has no sense without the other.

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member can take the verdict of the House on No. 122 as a test vote. Then if he succeeds in persuading the House to accept No. 122, he can simply move No. 124 as a consequential amendment.

Mr. K. P. Thampan: Sir, I have also tabled a similar amendment. The amendment will be complete only if these two items are taken together.

Mr. President (The Honourable Sir Shanmukham Chetty): Honourable Members must have given it in a different form. The Chair understands the point now. It must really run as follows:

"In sub-clause (2) of clause 9 of the Bill, the words 'as holding five shares', in the fifth line, be omitted."

and also these words mentioned in amendment No. 124.

The Honourable Member may move it as one amendment.

Dr. Ziauddin Ahmad: Sir, I beg to move:

"That in sub-clause (2) of clause 9 of the Bill, the words 'as holding five shares', in the fifth line, and also the words 'and each shareholder so registered as having more than five shares shall have one vote for each five shares, but subject to a maximum of ten votes' be omitted."

The intention of this amendment is that one person must have one vote; that is, we want to avoid the plurality of votes, that is, a person must not exercise two, three or four votes up to a maximum of ten votes. I said last time that the number of actual voters would be between 350 and 550. It has been said that we want to establish a democratic institution, but certainly the institution which we are establishing is just the opposite. In each register the number of persons who will actually record their votes for the election of the electoral college, that is, your Local Board, will not exceed 350 to 550, and, if the House accepts my amendment, the number would be increased. The intention of this whole Reserve Bank is not to put the power in the hands of a few capitalists. The intention is really to make it a national institution for the people of India, but, if you diminish the number of actual voters, then the position will be an exceedingly difficult one, and I think that in no national institution should richness be at a premium. A person, because he is poor, should not be given less privileges than a person who is rich, and, I think, when a person becomes a shareholder, everybody should be treated in the same manner. When I begin to visualise the whole of the Shareholders Bank as is drafted here, the picture is something very peculiar. I will draw a picture when we come to the third reading of the Bill. I think the picture will be very similar to the hideous picture of beauty drawn by an artist in the manner described by poets. If you draw a picture according to the poets' ideas of beauty, it will be something very hideous. As an illustration one poet said:

*"Log keh te haen keh tere bhi kamar hai
kahan ko hai, kighar hai, kis taraf hai."*

That is, the idea of beauty is that the person should have no waist and loin at all. Then the artist drew up a picture of a person having his body divided into the upper half and lower half and both of them were joined together by means of a very fine wire so that the loin may be reduced practically to nothing. (Laughter.) The same is the case with this Reserve Bank Bill. By the time all these clauses have been accepted, and I am sure the Finance Member having votes in his pocket will have them passed, I will draw up a picture and ask you in the end whether you have a Bank, a business institute, or an academic institution, or what; and it will come out to be something which is practically nothing. That is a thing which I reserve for the third reading of the Bill. With these words, I move my amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (2) of clause 9 of the Bill, the words 'as holding five shares', in the fifth line, and also the words 'and each shareholder so registered as having more than five shares shall have one vote for each five shares, but subject to a maximum of ten votes' be omitted."

Mr. K. P. Thampan: I have great pleasure in supporting this amendment. As I said, I have given notice of a similar amendment myself. There are two issues involved in this amendment. The one is disabling shareholders who have got only one share from taking part in elections. When you once reduce the value of a share from Rs. 500 to Rs. 100, there is no meaning in precluding a man who holds only one share from voting at a meeting of the shareholders. He is as much interested in the policy of the Bank as any other shareholder. You may as well keep the share-value at Rs. 500. The Joint Select Committee having agreed to reduce the value of a share to Rs. 100, there is no meaning in disabling a person holding one share from exercising his right of vote. The other issue is that, despite the fact that one might hold several shares, he is restricted to one vote. The Bill, as drafted, gives a man 10 votes in the maximum, and the principle that Dr. Ziauddin and I advocate is that, whatever the number of shares one might hold, he should exercise only one vote or, in other words, one man one vote. That is what we aim at. That principle was accepted by the Government in 1928. In the Bill which Sir Basil Blackett introduced, you will find that clause 15 is worded thus:

"Any shareholder shall be entitled to attend and vote at any general meeting and no shareholder, whether present in person or voting through another shareholder as proxy, shall have more than one vote."

This provision has been adapted from the constitution of the Bank of England, because, I find in the Bank of England Act, it is stated as follows:

"... and holders of Bank Stock of amount not less than £500 present at the meeting, may give one vote and no more."

There are several Central Banks in Europe wherein the votes are restricted in this manner. I do not propose to refer individually to all of them just at present. What I mean to say and insist on is this: to make the constitution of the Bank as democratic as possible within the limits of its constitution—and that is our aim—we should restrict the number of votes to one for one man, whatever the number of share that he might hold in the Bank.

Mr. N. M. Joshi (Nominated Non-Official): As this is the first occasion on which I speak on this Bill, I should like to make it clear that my taking part in the debate will not be construed as my approving the principles of this Bill. I shall make my position as regards the principles of the Bill clear on a later occasion; but so far as this amendment is concerned, it has my fullest sympathy. The creation of a body of shareholders for the Reserve Bank is not mainly intended to provide capital for the Reserve Bank. The amount of capital that will be provided by the shareholders will indeed be very small compared to the total capital which will be at the disposal of the Reserve Bank. It will, therefore, be admitted that the main purpose of creating a body of shareholders is not to provide capital, but it is alleged that it will facilitate the creation of a non-political body of

Directors. I do not agree that what is called a non-political body of Directors is necessary for a Reserve Bank. There is no case for excluding what I might call a politician from the Reserve Bank, but still, admitting for the sake of argument that your object is to create a body of non-political Directors by means of creating an organisation of shareholders, you will have to admit that that is the main object, and if that is the main object, I do not know why a shareholder who has ten shares should have more votes than a shareholder who has only one share. After all, the interests that are affected by a Reserve Bank are not the interests of the shareholders alone. The interests of the whole population in this country are going to be affected by the activities of the Reserve Bank. The currency policy of the Reserve Bank is going to affect every one. I, therefore, think that so long as there is no case made out that the shareholders of the Reserve Bank will really suffer more substantial losses than the other people who are not shareholders, there is no case for giving more votes to the holders of a large number of shares. I think if it is admitted that the activities of the Reserve Bank will affect the interests of all classes of people in this country, then the first thing necessary to obtain is to see that the interests of the people as a whole will be protected. Unfortunately, if you in the first place create a body of people who have got large amounts of money to be invested and if you leave the management of the Reserve Bank into the hands of people who represent this body, there is a great danger of the interests of the people as a whole being adversely affected. It is wrong in the first place to have no Reserve Bank Directors elected by the shareholders. That itself is a wrong and you are now intensifying that wrong by suggesting that those people who have got larger number of shares should have larger number of votes. I, therefore, think that if the object of Government is to create a body of non-political Directors, and it is for that object that they have created a body of shareholders, then there is absolutely no justification for giving a larger number of votes to those people who hold a larger number of shares.

An Honourable Member: The amendment is one man, one vote.

Mr. N. M. Joshi: I am supporting the amendment. Then, I am also in favour of reducing the amount of the share which qualifies a man to vote from Rs. 500 to Rs. 100. I do not know why a man should be given a share of Rs. 100 and refused any voice at all. I cannot understand that.

An Honourable Member: To waste votes.

Mr. N. M. Joshi: I tell you what the object is. It is not to waste votes. The object is to get money from people who are not wealthy and not give them any voice. The poor man's money is welcome, but not his opinion. That is the object of the Government. There is untouchability, but there is no untouchability as regards money which comes from the untouchables. It is absolutely wrong and Government should think a little more and change their policy. I, therefore, support the amendment.

Mr. Bhuput Sing (Bihar and Orissa: Landholders): I also support the amendment moved by my Honourable friend, Mr. Thampan. The whole principle of the Bill, as Government thought, was that the Bank should be free from political influence and, for that reason, they made the Bank a Shareholders Bank and not a State Bank. Now, that principle has been accepted by this House and I think the next thing, required to be done will be to free the Bank from the domination of a few and, for that reason, they have reduced the value of the shares from Rs. 500 to Rs. 100. It is

[Mr. Bhuput Sing.]

essential that every shareholder should have a vote, irrespective of the number of shares held by him, as in that case a large number of votes may not become sterile. Further, the right of every shareholder to a vote will be a great inducement to a large number of the masses to purchase shares of the Reserve Bank. I also support the amendment for other considerations. If this amendment is adopted, there may be a great demand for shares from among the masses for whom we often hear so much advocacy on this side of the House. It has been said by a majority of the Members of this House that means should be adopted by which the agriculturist or the rural population may come forward to purchase shares, and this is only possible if they know that every shareholder of one share has a vote, as that will be a great stimulus to them to come forward to invest their small capital. The dividend has been fixed at a maximum of 6 per cent. which is not much inducement for the small investors, but when they would know that they have got a vote and, though it has an indirect control over the management, they will come forward to take shares. Then, again, by giving each shareholder a vote, we will achieve our object of neutralising the evil prospect of the dominant control by a small coterie of capitalists or political parties. I cannot understand why Government are so insistent that only the capitalists should be allowed to have a voice in the management of the affairs of the Bank. The other day an amendment was moved by my friend, Mr. Mitra, about the limitation of the holding of shares by any individual and that was not accepted by the Government, and was only defeated by one vote. The necessity for this amendment is more felt. I think the evil effect of domination would be minimised, if not altogether removed, if we give every shareholder only one vote. With these words, I support the amendment.

Mr. B. V. Jadhav (Bombay Central Division: Non-Muhammadan Rural): Sir, I rise to support this amendment. The principle of "one man, one vote" is really a democratic principle and ought to be followed in the constitution of this Bank. Although I do not subscribe to the view that, as the value of a share has been reduced to Rs. 100, therefore, a number of agricultural and other people will come forward to purchase shares, but, at the same time, I think that if one man is given one vote, then the accumulation of votes will not take place. The millionaires will not have any inducement to purchase a large number of shares and thus have the voting strength in their own hands. Moreover, the fear entertained by some persons that persons from the dominions and other foreign countries will take up the shares and will thus secure a dominating voice in the management of the Directorate of the Reserve Bank will also be minimised. The Honourable Member who has just sat down said that this side of the House wanted to limit the holding of each individual. This object will also be automatically realised, and, for all these reasons, Sir, I support the amendment on the principle that one man should have only one vote.

The Honourable Sir George Schuster: Sir, this is one of those issues which arise in connection with this Bill on which it is quite possible to take differing views, and if we were to sit and discuss this measure for two or three years, I feel certain that Honourable Members would still be found ready to support some difference to the conclusion which had been reached. My Honourable friend, Dr. Ziauddin Ahmad, has said that it is not our intention, or at any rate not his intention, to put the affairs of the Bank into the hands of a few rich people. Sir, the intention really

is to provide an electorate which will ensure the election of the best men and the most representative men as Directors, and we have to consider what type of electorate will best do that. Now, our scheme is an attempt to achieve a balance between differing considerations. On the one hand, we have tried to make the electorate wide; on the other hand, we have put in a qualification which will ensure that those who exercise their votes will be men of some substance at least. I think we have been very modest in our demands as regards the latter qualification.

My Honourable friend, Mr. Bhuput Singh, just said that we do not want to put the affairs of this Bank only in the hands of big men. I submit that a man who is able to purchase Rs. 500 worth of shares is not a very big man. We have avoided extremes,—we have avoided, for example, extremes such as we find in the case of the Bank of France where only the two hundred largest shareholders in the Bank are able to take part in the General Assembly. That is an illustration in a very extreme form of insisting upon the qualification that the voters should be men of substance. We have gone a very long way to meeting the type of argument that has just been advanced. When this matter was being discussed in London, the proposal which held the field was that the only men who could vote would be men who held Rs. 2,000 worth of shares or more. In London, we discussed that very fully and we reduced the voting qualification to Rs. 1,000. In our Select Committee discussions here, we have gone still further and reduced the voting qualification to Rs. 500. I submit, Sir, we have gone far enough in that direction. What we felt was that the very small man who can only afford to put Rs. 100 as an investment into this Bank will be the type of man who does not understand very much about banking affairs and the type of man who is much more likely to be influenced by scheming Directors or scheming persons anxious to secure election. If we put the qualification up to Rs. 500, we do, to some extent, diminish that danger. Now, a good deal has been made of the point that it is unreasonable to have a share of Rs. 100 and to fix the voting qualification at Rs. 500. But the idea in our minds in making that proposal was that the shares in the Reserve Bank would be a desirable form of investment, and we wanted to open the opportunity to even the least wealthy class to put a little money into the Bank as an investment. It is not because, as my Honourable friend, Mr. Joshi, suggested, of our wanting the poor man's money. On the contrary, we want to give the poor man the opportunity for investment. But we do not think that for that reason it is necessary to bring down the voting qualification to as low as Rs. 100. The poor man might perhaps have Rs. 100 to put into the Bank and then, as time goes on, he may be able to increase his investment and gradually let it accumulate until he has Rs. 500. In any case, after a very great deal of thought and discussion, we think, and the majority of the Select Committee thought, that this scheme represents the best sort of compromise we could arrive at in order to provide, as I have said already, an even balance between the various considerations. One of the Honourable Members, who have spoken, stated as his object that he desired to avoid the sterilisation of a number of voting rights. Sir, I think this proposal runs a great risk of sterilising the voting rights still more. It would mean that no one, however many shares he held, could exercise more than one vote. I do not know and my Honourable friend, Dr. Ziauddin Ahmad, has not given us any calculations as to what this would mean as regards the actual voting rights, but I should be very glad if he would sit down and work out that

[Sir George Schuster.]
little problem. (Laughter.) I think we might find that it resulted in a considerable diminution of the voting rights. In any case, as I have said, this is a scheme by which we feel we must stand, and we must resist any further efforts to diminish the voting qualifications. I, therefore, oppose the amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (2) of clause 9 of the Bill, the words 'as holding five shares', in the fifth line, and also the words 'and each shareholder so registered as having more than five shares shall have one vote for each five shares, but subject to a maximum of ten votes' be omitted."

The Assembly divided:

AYES—28.

Abdul Malin Chaudhury, Mr.
Azhar Ali, Mr. Muhammad.
Bagla, Lala Rameshwar Prasad
Bhuput Singh, Mr.
Dutt, Mr. Amar Nath.
Harbausa Singh Brar, Sirdar.
Hari Raj Swarup, Lala.
Ismail Khan, Haji Chaudhury
Muhammad.
Jadhav, Mr. B. V.
Joshi, Mr. N. M.
Krishnamachariar, Raja Bahadur G.
Lalchand Navalrai, Mr.
Mahapatra, Mr. Sitakanta.
Mitra, Mr. S. C.

Neogy, Mr. K. C.
Parma Nand, Bhai.
Patil Rao Bahadur B. L.
Phookun, Mr. T. B.
Raghubir Singh, Rai Bahadur
Kunwar.
Reddi, Mr. P. G.
Reddi, Mr. T. N. Ramakrishna.
Sen, Mr. S. C.
Shafee Daoodi, Maulvi Muhammad.
Singh, Mr. Gaya Prasad.
Sitaramaraju, Mr. B.
Thampan, Mr. K. P.
Uppi Sahib Bahadur, Mr.
Ziauddin Ahmad, Dr.

NOES—55.

Abdul Aziz, Khan Bahadur Mian.
Ahmad Nawaz Khan, Major Nawab.
Anklesaria, Mr. N. N.
Ayangar, Mr. V. K. A. Aravamudha.
Bajpai, Mr. G. S.
Bhore, The Honourable Sir Joseph.
Chatarji, Mr. J. M.
Clow, Mr. A. G.
Cox, Mr. A. R.
Dalal, Dr. B. D.
Doshi, Mr. A. J.
DeSouza, Dr. F. X.
Dillon, Mr. W.
Graham, Sir Lancelot.
Grantham, Mr. S. G.
Haig, The Honourable Sir Harry.
Hezlett, Mr. J.
Hudson, Sir Leslie.
Ishwarsingji, Nawab Nabarsingji.
Ismail Ali Khan, Kunwar Hajee.
James, Mr. F. E.
Jawahar Singh, Sardar Bahadur
Sardar.
Lee, Mr. D. J. N.
Mackenzie, Mr. R. T. H.
Macmillan, Mr. A. M.
Metcalfe, Mr. H. A. F.
Millar, Mr. E. S.
Milligan, Mr. J. A.

Mitter, The Honourable Sir Brojendra.
Morgan, Mr. G.
Mujumdar, Sardar G. N.
Mukherjee, Rai Bahadur S. C.
Noyce, The Honourable Sir Frank.
O'Sullivan, Mr. D. N.
Pandit, Rao Bahadur S. R.
Rafiuddin Ahmad, Khan Bahadur
Maulvi.
Raisman, Mr. A.
Rajah, Rao Bahadur M. C.
Ramakrishna, Mr. V.
Rao, Mr. P. R.
Sarma, Mr. R. S.
Schuster, The Honourable Sir George.
Scott, Mr. J. Ramsay.
Sher Muhammad Khan Gakhar.
Captain.
Singh, Kumar Gupteshwar Prasad.
Singh, Mr. Pradyumna Prasad.
Sinha, Rai Bahadur Madan Mohan.
Smith, Mr. R.
Studd, Mr. E.
Subrawardy, Sir Abdulla-al-Māmūn.
Tottenham, Mr. G. R. F.
Trivedi, Mr. C. M.
Wilayatullah, Khan Bahadur H. M.
Yakub, Sir Muhammad.
Yamin Khan, Mr. Muhammad.

The motion was negatived.

Mr. Lalchand Navalrai: Sir, I move:

"That in sub-clause (2) of clause 9 of the Bill, all the words occurring after the words 'to a maximum of ten votes' be omitted."

Sir, by reading out my amendment, it is not clear what it is exactly that I want. (Laughter.) It is, therefore, necessary for me to read to the House the portion of the Bill which I want to be deleted.

Sir, at present the Bill aims at giving the maximum of ten votes to a shareholder. It is further said in that sub-clause that it will be "subject to a maximum of ten votes, and such votes may be exercised by proxy appointed on each occasion for that purpose, such proxy being himself a shareholder entitled to vote at the election and not being an employee of the Bank". I think my amendment is now clear to myself as well as to the House. The point is that I am against the system of proxy to be introduced into this Reserve Bank election. At present what will happen will be this, that a shareholder, having a few shares of his own, of course more than five shares, may be able to elect, at the time of the election, for the members of the Local Board, any member with the help of proxy votes. In my humble opinion, this proxy system, which no doubt exists in certain institutions, has outlived its usefulness. There should be direct election, but not in this indirect manner. I must say that I possess no stories or any anecdotes to attract the attention of the House to my amendment, but the reasonableness of my amendment is such that Honourable Members cannot avoid listening to me. Sir, what I mean to say is this, that this amendment should not be given a light-hearted treatment. This is an important amendment and if you give a thought to it, you will find out that if this amendment is not accepted, then this Reserve Bank will not be a national institution, but it will be a rich man's institution. By this proxy system, a rich man can have several votes in his pocket and, at the time of the election, he will see that a particular man whom he wants to be a member of the Local Board is elected. The disadvantages of this proxy system I give concisely. I feel that this system will lead to a mischief and also to fraud. It is the desire of every one in this House that a national element should be introduced into this Reserve Bank institution and that the shareholders, who do not take the trouble of going to give votes, should be educated and that those who are indifferent should be made to take an interest in these elections. How are you going to educate them if you allow them to remain negligent and transfer their right to others? Therefore, from an educational point of view, if you want to make the Reserve Bank a success, you should make the masses know that they have certain powers in their hands which they should exercise cautiously and judiciously. Against that view the point that may be urged is as to how it could be expected that so many men will go to long distant places to cast votes? Sir, that, of course, is a little difficulty. But, I say, it should be overcome. Those, who are negligent and who do not want to personally exercise their votes, may not go, but those who wish to exercise their vote should know to whom they are giving their votes. Supposing a man takes a proxy from another voter and goes to the polling station, what guarantee is there that he would give his vote to the proper man for whom he has taken the proxy? How is the shareholder, who has given the authority to vote by proxy, to know whether he has abused his confidence, and what remedy has he against such a betrayal? Therefore, I submit, it is necessary that the vote should be direct. It might be said that there are institutions in

[Mr. Lalchand Navalrai.]

which votes are being given by proxy and, therefore, why should that practice not be followed also in the case of the Reserve Bank institution? If we take the instance of foreign countries and find the proxy system prevailing there, we will find also certain limitations and restrictions placed against a proxy being accepted. Here it is a blank cheque given in this Bill. I understand there are some limitations to the proxy system even in the Imperial Bank, but I speak subject to correction. I understand that during the elections for the Imperial Bank, at the time of the division the proxies are not taken into consideration; but it is only when a poll is asked that the proxy votes are considered.

Mr. B. V. Jadhav: That is the system everywhere.

Mr. Lalchand Navalrai: I do not know whether that system will be followed here. I find there is absolutely no restriction to proxies in the Reserve Bank and this can be exercised without any hindrance or obstruction. If it be said that the number of shareholders, would be very large, and, from that point of view, the proxy system would be useful, the reply lies in the simile of the elections to the Assembly and Provincial Councils. The vote there is not given by proxy at all. How many voters have we got when we go to the poll for election? My friend by my side here tells me that in his constituency he has got 33,000 voters.

Mr. N. N. Anklesaria (Bombay Northern Division: Non-Muhammadan Rural): How many polling stations?

Mr. Lalchand Navalrai: I know, that in the legislative elections the votes are given in each district. There is no doubt about that, but that could be easily arranged by rules. It is not impossible to do away with the proxy system. Sir, I submit that the votes which will be given by proxy will have a deleterious effect and the sooner the system is stopped, the better. If it is really the intention of Government that this Reserve Bank should be a national institution in which the shareholders should have a supreme hand, then it should be a pure election and not an election which leads to these mischiefs and frauds. Sir, I submit that these points might be considered by the House in a dispassionate manner and given due consideration, and I hope I will get sufficient support from the House. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub clause (2) of clause 9 of the Bill, all the words occurring after the words 'to a maximum of ten votes' be omitted."

Mr. Amar Nath Dutt (Burdwan Division: Non-Muhammadan Rural): Sir, it is not very pleasant for me to rise to oppose an amendment moved by my amiable friend, Mr. Lalchand Navalrai. I shall take one by one the points which he has made out against the proxy system. Firstly, as to his general observation against proxy, I think my friend will remember his younger days: and if we had not this system of proxy in college for purposes of attendance, I think many of us would not have been here. (Laughter.) In spite of having attended lectures by this proxy system and at times living several hundred miles from the precincts of the College, we have been able to pass examinations. If that be so, I do not think it

can do much harm if this right of voting is exercised by proxy. My friend has said that this is a very important amendment and I thought he would be able to give us reasons for thinking so

Mr. Lalchand Navalrai: Perhaps you did not hear me.

Mr. Amar Nath Dutt: My friend does me an injustice when he says that I did not hear: I followed his arguments very attentively and I have taken notes. The one thing that struck me was that the learned Mover of the amendment said that in a national institution there should not be any proxy. I fail to understand, if a proxy is not good for one institution, how it can be good for other institutions and how it can be tolerated elsewhere, be it national or anti-national or unnational or non-national. I could not exactly understand that because the Reserve Bank is a national institution, why there should not be a right to vote by proxy. In fact the right to vote by proxy takes away much of the difficulties in the matter of voting and in the matter of the exercise of the right of voting both by the man who has that right and also by the man who wants to get the advantage from that right. It does away with the necessity of a man taking unnecessary and long journeys. He has also pointed out that there may be fraud or betrayal of trust. I beg to submit that we need not fear on that account. If I can trust my friend that he should be my proxy at a certain place, certainly I will have ample faith in him that he will exercise the right of proxy in such a way as I intend that it should be done.

Mr. Lalchand Navalrai: You may not find such a friend.

Mr. Amar Nath Dutt: I have at least one friend here in the Mover of the amendment. One other argument was advanced. It was said pointing to a Member from Madras that he has 33,000 voters and still there were no difficulties in getting the votes. But I would like to know the percentage of voters that attended the polling station. I have also 48,000 voters in my constituency and 440 polling stations and I know the difficulty and I think my friend sitting by him also knows the difficulty of sending agents to all these 440 polling stations. In fact, if it were possible to have votes recorded by proxy system in these elections, I would welcome that, and I think my Honourable friend will also welcome it

Mr. Lalchand Navalrai: I will not.

Mr. Amar Nath Dutt: My Honourable friend must be a very strange man who does not want something to his own advantage.

Then he says that we should proceed with the consideration of this matter cautiously; and if there be any difficulty in the matter of bringing together voters, that should be overcome. I do not know how it can be overcome unless you are satisfied with a less percentage of votes being recorded.

I would submit one other advantage of the proxy system for consideration and that is this: it may be that I am not willing to go far or to incur the trouble and expense of a far off journey; at the same time, I feel that such and such an individual should be elected and that my vote should be cast in his favour. By that mandate, if I can send a voter to

[Mr. Amar Nath Dutt.]

vote by proxy for me in that election, I secure my own right of voting as also the interests of the Bank. Every one interested in the welfare of the Bank will have the right: his right is not taken away in any way. I do not see what harm will accrue by his being allowed to vote in this way. Then, again, my friend has said that in various other countries where there are proxies, there are certain limitations. What sort of limitation it is, our friend has not enlightened us. I find a certain limitation here and it is this: "such proxy being himself a shareholder and entitled to vote at the election". Therefore, none but shareholders will be entrusted with the right: and there is another limitation that he should not be an employee of the Bank. In view of all these, I beg to submit that I have been able to convince my learned friend, the Mover of the amendment, for whom I have the highest regard for his patriotism and outspokenness, and I hope he will withdraw the amendment which will hardly make the Bank more national if it is accepted. I oppose the amendment.

Rao Bahadur E. L. Patil (Bombay Southern Division: Non-Muhammadan Rural): Sir, I do not object to the principles on which this amendment is based; but I am very doubtful whether the learned Mover of this amendment took into consideration the practical effects that this amendment, if accepted, would produce. At any rate it is certain that all the mufassil holders of shares will be prevented from coming to the places where the polling will be held. We know that in other elections the voters are generally very unwilling and they will have to be moved after giving them several hopes and several inducements. (Laughter.) That being the case, it is within our own experience that, unless some easier method is introduced, it is not possible to get a sufficient number of voters at the polling stations. On behalf of the voters residing in the countryside, I should like to remind to this House that, if this amendment is accepted, certainly we will be giving a walk-over to the candidates who are residing in the places where the elections take place. Therefore, for this simple reason, I am compelled to oppose this amendment.

Dr. Ziauddin Ahmad: Sir, I do not want to intervene in this debate except for two reasons: in the first place, the last two speakers made a confusion between written votes and proxies. If written votes were allowed, their objects would be served. In the case of proxy, it is an entirely different thing. You not only give your votes but you put your conscience in the hands of a person holding the proxy. So my friend, Mr. Navalrai, does not object to the exercise of written votes, but he objects to putting shareholder's conscience in the hands of a certain person who may use it to his own advantage, and against the wishes of the voters. Sir, the chief point to which I want to draw the attention of the House is,—I am sorry my friend, Mr. Bajpai, is not here, but he will probably read what I say,—I have been pressing very hard that in all educational institutions 75 per cent. of the attendance rule should be done away with. It is an Indian academic fiction, and here I have got a clear example and a frank assertion by my friend that the lectures are attended by proxies. If that is the case, it is much better that we introduced purity in our educational institutions and do away with the rule of 75 per cent. attendance, so that the attendance of lectures by proxies may not be practised, and unfortunately it is being practised to a large extent. Sir, if attendance of students by proxies at lectures can be justified, why should not the

lecturers deliver their lectures by proxies, and, if this rule of proxies is good enough in educational institutions, it can be good enough in any other institution. If this proxy system had been practised in this Assembly, the position of opposition would not have been so bad as they are today. With these words, I strongly support the motion.

The Honourable Sir George Schuster: Sir, after the speeches which have been made, I feel so sorry for my friend from Karachi that I wish that I could find it in my heart to support him. But, Sir, I feel, on its merits there is no case for this amendment. It appears to us that the man who is likely to be damaged by omitting the right to exercise a vote by proxy is rather the poor man than the rich man, for surely it is the poor man who will be unlikely to be able to spare the time and money to attend the meetings and not the rich man. Sir, on these grounds and also on grounds that have been so ably voiced by other speakers, I must oppose this amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (1) of clause 9 of the Bill, all the words occurring after the words 'to a maximum of ten votes' be omitted."

The motion was negatived.

Diwan Bahadur A. Ramaswami Mudaliar (Madras City: Non-Muhammadan Urban): Sir, the amendment that I propose is very simple and explains itself. I do not want that proxies should be given either to the employees of the Bank or a Member of the Local Board or a Director. Therefore, I move:

"That at the end of sub-clause (2) of clause 9 of the Bill, the words 'or a member of a Local Board or a Director' be inserted."

That would prevent outgoing members of Local Boards and Directors canvassing and getting proxies from various shareholders in the mufassil and thereby very considerably influencing the election. It is only for the purity of election that I have suggested this inhibition against obtaining proxies. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That at the end of sub-clause (2) of clause 9 of the Bill, the words 'or a member of a Local Board or a Director' be inserted."

Mr. B. V. Jadhav: Sir, I support this amendment.

The Honourable Sir George Schuster: Sir, I am afraid I must oppose this amendment. What we feel is that in the first place it is hardly likely

[Sir George Schuster.]

to be of any great practical use, because the outgoing Director, if he wishes to canvas votes, will not find it difficult to get proxies on his behalf, and apart from that, we feel that it is somewhat unreasonable to prevent an outgoing Director, or a sitting Director rather, who wishes to stand for re-election to prevent him from getting proxies but to allow the man who wishes to stand against him and come in as a new Director to collect proxies and hold them on his own account. We do not see why there should be any favour shown to one of the candidates because he happens not to be a sitting Director, and not to the other who happens to be a sitting Director. On that ground of principle and also on the ground that it really would be very unlikely to have any practical effect, I would oppose my friend's amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That at the end of sub-clause (2) of clause 9 of the Bill, the words 'or a member of a Local Board or a Director' be inserted."

The motion was negatived.

Mr. Sitakanta Mahapatra (Orissa Division: Non-Muhammadan): Sir, I beg to move:

"That to sub-clause (2) of clause 9 of the Bill, the following proviso be added:

"Provided that no proxy shall be allowed to represent more than ten shareholders at any one meeting'."

Sub-clause (2) of clause 9 of the Bill, as it has emerged from the Select Committee, is one of the most obnoxious clauses in the whole Bill, and, in the whole sub-clause, the latter portion may be said to have reached the climax of anti-nationalism. The Honourable the Finance Member, who belongs to a nation of real democrats, conceived and framed the sub-clause in the best possible way and introduced the same in this House, but I regret very much to say that in the Select Committee he, unfortunately for the Indian poor man, came across big capitalists and wealthy financiers and unconsciously played into their hands. The Joint Select Committee had given absolutely no reason for introducing this proxy system. In the Bill of 1928, proposed to be introduced into this House by Sir Basil Blackett, another level-headed statesman from a really independent country did not think of this obnoxious proxy system, and so this idea of shareholders being represented by proxies originated when the members of the Select Committee came in contact with probably the representatives of the Imperial Bank of India where this system, as we have all heard from Mr. Pandya, has worked marvellously to the great advantage of rich men. It may be argued that a large number of Central Banks in other countries have got this system, and so that system was introduced in the Indian Central Bank's constitution. But is there any Central Bank in the world where a man can represent unlimited number of shareholders as proxy? If that is the system in the Imperial Bank of India or in some other Exchange Banks in India where poor men are treated like cats and dogs by rich men, should that be an ideal to our national Reserve Bank? Let

me give the House some illustrations of what the system is in the other great national Banks in the world:

The Austrian National Bank	A proxy is entitled to a maximum of 100 votes as such.
The National Bank of Belgium	No one person can exercise more than five votes as shareholder and five as proxy.
The National Bank of Copenhagen	No one either on his own behalf or as proxy or as both shall cast more than fifty votes.
The Bank of Estonia	The same.
The Bank of Greece	As proxy not more than fifty votes.
National Bank of Hungary	Not more than 100 either on his own account or as proxy.
Bank of Italy	No one either as proxy or on his own account can have more than 50 votes in all.
Bank of Japan	No one can have more than ten votes as proxy for others.
Netherlands Bank	Proxies allowed, but under no condition more than six.
Bank of Poland	No shareholder may have more than one proxy.

So, even in these countries where the inhabitants are highly educated and cultured, independent-minded and well to do, there are sufficient restrictions on proxies.

Sir, the Select Committee have made much of the fact that an employee of the Bank has been excluded from exercising this power. What personal undue advantage will an employee gain by this power? He won't stand a candidate for membership of the Local Board. It is only a shareholder who may stand as a candidate for election who may gain advantage out of it. A rich shareholder who wants to be in the Local Board can easily spend a few thousand rupees by sending about agents throughout a centre to collect proxies for himself or a few rich shareholders joining hands can easily collect between themselves almost all the votes in a centre through proxies, form into a coterie and control a Local Board and thereby the Central Board as well easily. I am not making a hypothetical proposition. Any one who has been through elections will agree with me. Official Members, of course, may think it hypothetical. So, I say again, at the risk of repetition, that this Bill is conceived and framed by rich men for their own advantage so that a new and very powerful handle for oppressing the poor may be in their hands. Are we here to pass this Reserve Bank Bill to make the Bank a dumping ground for the rich? Certainly not. By using the word "rich" I do not mean the honest rich. They will never spend lots for getting into the Local Boards. They are quite welcome. I mean only the dishonest rich who will try to get into the Local Board with some ulterior motive.

[Mr. Sitakanta Mahapatra.]

Sir, I was personally connected with the Provincial Co-operative Bank of Patna. This obnoxious proxy system is in force there. The Registrar of Co-operative Societies, Bihar and Orissa, is always authorised to act as proxy for most of the shareholders without ever seeking for it, and the result is that, in every General Meeting, it is the Registrar who actually selects the Directorate. I may here, with your kind permission, read a portion of a letter from the Secretary of the said Bank. He says:

"The amendment suggested by you in sub-clause (2) of clause 9 of the Bill has obvious advantages. There are many instances in the Annual General Meetings of commercial institutions where one or two persons represent a majority of the shareholders of those companies by proxy at their Annual General Meetings and carry everything before them. In order to prevent a similar recurrence in the meetings of the Reserve Bank shareholders, it is necessary that the proxies should not be allowed to represent more than ten shareholders. This provision is all the more necessary in view of the fact that the shareholders of the Reserve Bank will be very much more widely distributed than shareholders of an ordinary commercial institution."

Sir, I will give you another illustration. The Ravenshaw College Old Boys' Association was, a few months ago, asked to elect a fellow to the Patna University Senate. This body consists of a very highly cultured, educated and independent electorates. But then this vile proxy system is prevalent there. What happened? One of the candidates who happened to be in the Governing Body of the College could manage to get the list of voters only two days ahead of his rivals, three in number. In these two days he could secure so many proxy forms that at the actual voting, although all the three of his rivals joined hands, he was far ahead of them.

Sir, there is another danger in unlimited proxy system, which is that a member of a Local Board can always easily by his hand on the list of voters at least three months ahead of others. With this advantage, he can manage to secure sufficient number of proxy forms in his favour to secure a walk over. Sir, I am not making a hypothetical proposition. This will happen as the sun rises on the east.

Sir, to those of the Honourable Members in this House who represent millions in India, I beg to appeal to very seriously consider the gravity of the situation—whether they want to hand over the financial destiny of India to a coterie of a few designing rich persons or make it a really national institution. Sir, we have failed in limiting possession of shares; we have failed in our attempts to democratise the institution. If we fail in this our last attempt, the independence of the institution will be gone. It will only serve as the dumping ground of a few rich men living in advantageously central places.

Sir, to the Honourable the Finance Member, I beg to say that neither he nor his illustrious predecessor, neither the so-called great Mughal nor even the Government of India, were a party to this obnoxious system. A true son of the great British nation cannot think of such a bad thing. I appeal to his good sense to make the institution, for which his name will be written in letters of gold in the history of India, a truly national institution and not a sham one, so that our posterity may remember him with love and admiration. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): **Amendment moved:**

"That to sub-clause (2) of clause 9 of the Bill, the following proviso be added:

'Provided that no proxy shall be allowed to represent more than ten shareholders at any one meeting.'"

Mr. Gaya Prasad Singh (Muzaffarpur cum Champaran: Non-Muham-madan): Sir, my heart goes out to my young friend from Orissa (Laughter) who has just moved this amendment, and I wish it were possible for me to support this motion. But, as a member of the Select Committee, I feel I should oppose it. In the concluding portion of my friend's observations, I understood him to say that, if the Finance Member could have only agreed to the deletion of the proxy system, his name would be handed down to posterity and recorded in letters of gold as the author of a Bank which was so beneficial to the interests of the country. If this is the only reason, I should ask my Honourable friend to agree to the elimination of the proxy system so that his name may be recorded in history in letters of gold. On the merits of the motion also I find that my Honourable friend from Orissa, who is an acquisition to this House, has a rather weak case, because in the first place the proxy system obtains in almost all the civilised countries of the west. In Europe, you will find that the proxy system, whatever may be the restrictions that may be imposed upon the exercise of the system, obtains in almost all the national Banks of those countries. (An Honourable Member: "But it is limited.") Here also, in the present Bill, we have imposed certain restrictions on the exercise of the right of proxy. My Honourable friend will see from the concluding portion of this sub-clause (2):

"And such votes may be exercised by proxy appointed on each occasion for that purpose, such proxy being given by a shareholder entitled to vote at the election and not being an employee of the Bank."

So, there is some sort of restriction on the exercise of the proxy system. Probably my Honourable friend means to say that there is no limit as to the number of proxies which a shareholder may be allowed to have. If this is his meaning, I quite sympathise with the object which he has in view. But there is another matter to be considered. India is a very vast country as compared to the countries of Europe. We have lowered the value of a share from Rs. 500 to Rs. 100 each, and it is expected that a large number of people, people of average means, would be able to buy these shares. These people would be scattered over a vast area, and it will be impossible for most of them to undertake long journeys to the places where the elections are held. So we thought in their own interests that it would be right and proper if the system of proxy were to be introduced, and that is why this system has been introduced. It is in their interest, rather than in the interest of the rich people who can easily afford to undertake long journeys, and it is strange that my Honourable friend who has just spoken should find fault with those who are in favour of the proxy system. There is not, I think, much force in what he said and with all my inclination to support him, I find, in this particular case, I am unable to do so.

Mr. N. M. Joshi: Sir, I rise to support this amendment. My Honourable friend, Mr. Gaya Prasad Singh, said that people who had got Rs. 100 were poor people and that they would not be able to go to the place where the voting took place. In the first place, a man who invests only Rs. 100 has no vote. My friend, Mr. Gaya Prasad Singh, has deprived him of his vote. Therefore, he need not talk of a man with one share. It is only the man who can invest Rs. 500 that has got a vote. It is not absolutely necessary that a man should either go to the headquarters of the province to vote or give his vote by proxy. There are several other methods by which direct elections take place. You can vote through the post office,

[Mr. N. M. Joshi.]

you can go before a Magistrate and sign before him and record your vote and send it by post. As a matter of fact, in my province at least the elections for the University are held by post and the numbers are not smaller than the number of voters in the provincial centre of a Reserve Bank. Thousands of voters give their votes in the Bombay University. They number between 5,000 to 10,000. The number of voters for the Reserve Bank are not likely necessarily to be larger. Therefore, you can devise some method of direct election by which the coming of the voter to the headquarters of the province may be avoided. You can ask the man to sign before a Magistrate or a J. P. and ask him to post his vote. That is done in the University election.

Mr. Gaya Prasad Singh: How are the Magistrates? They are only at sub-divisional headquarters?

Mr. N. M. Joshi: Even that may be avoided. If a man has sufficient money to invest Rs. 500, he can certainly afford to go before a Magistrate or J. P. I see no difficulty at all. I think there is great objection in this method by voting by proxy. The objections have been stated very clearly and, unless the Government of India really want the Reserve Bank to go into the hands of a few rich people who send out canvassers to compel people to vote in their favour, they should certainly not adopt the system of voting by proxy. Even if he votes before a Magistrate, the man is not free to vote as he likes, because the canvasser will sit behind him. Still it gives him some facility to vote independently. . . .

Mr. President (The Honourable Sir Shammukham Chetty): The present amendment deals with the maximum that is permissible by proxy.

Mr. N. M. Joshi: I was talking about the principle of voting by proxy. I am, therefore, in favour of the amendment.

Mr. S. C. Sen (Bengal National Chamber of Commerce: Indian Commerce): I support this amendment. Those who have got experience of democratic companies in Bengal, which were established during the Swadeshi period, namely, after 1905, and where the shareholders practically are as large as the number of shares, know how this system, unless a maximum is fixed, is used by one party or another to the detriment of the company. I know of a company, in which I took very great interest, where the number of shareholders was more than 10,000. Two parties contested the election and one of them got about five thousand proxies and the other party about two or three thousand. That is how things are done. Only the other day I went to Benares in connection with a matter like this, where the proxies of one person amounted to about one thousand. In these circumstances, I think there ought to be some limit to the number of proxies held by one person, and I support this measure.

Mr. T. N. Ramakrishna Reddi (Madras ceded Districts and Chittoor: Non-Muhammadan Rural): I must congratulate the Mover of this amendment for having put forward his case so very ably. Some such restriction is absolutely necessary, because a Director or a member of the Local

Board will be in a position to get the names of all the voters at a much earlier period than it is possible for others and he will be in an advantageous position to go about canvassing for votes and get most of the votes before his rival candidate can get hold of them. Hence there will be a perpetuation of the Directors when once they come in. In order to avoid such a situation, my friend, Mr. Mudaliar, moved his amendment No. 127 but, that having been defeated, it is necessary that more than ten votes should not be exercised by proxy. You cannot prevent the evil completely, but this amendment would minimise the evil and there is a chance for those who are not already Directors or members of Local Boards to be elected. With regard to the difficulty pointed out by my friend, Mr. Gaya Prasad Singh, that has already been answered by my friend, Mr. Joshi, who said that it was only the man with five shares who could exercise his vote and he would be in a position to go to the nearest Magistrate to record his vote. On these grounds, I support this amendment.

The Honourable Sir George Schuster: My heart goes out to my old friend from Muzaffarpur (Laughter) for having thrown a little light on this question and also for having saved me a good deal of my task in replying. I can understand the position taken up by my Honourable friend, Mr. Joshi, who is against the use of proxies altogether, and I would say this to him. If, in practice, it is found that this system works in the way he fears, then it will certainly be for Government to try and devise some other way of working these elections of Directors. But our whole object was to try to follow the usual practice and I would ask him to realise this—that the voting for the election of Directors is a different thing to voting for other elections. When the shareholders get together at a General Meeting, there will, I imagine, be certain business put before the General Meeting, there will be an occasion for them to hear how the affairs of the Bank have been going, and so on, and you cannot reproduce all those features if you arrange for a series of disconnected voting stations all over a large area. It remains to be seen how this thing works in practice. Now, as regards this particular amendment, I think my Honourable friend, who moved it, would have made his statement more effective if it had not been marred by a good deal of over-statement. It is ridiculous to talk of this Bank as “a dumping ground for rich men” and to use phrases of this kind. For my part I must at once disclaim any of the credit which he has given me, and indeed abandon any expectation of having my name inscribed in letters of gold for any service which I have done in this matter. The fact that the method of voting by proxy was not mentioned was not due to any virtue or the staunch support of democratic principles; it was simply due to an oversight and that oversight was, I am glad to say, corrected by the Select Committee, who pointed out that we had made no provision for the exercise of votes by proxies at elections to the Local Board. I think the Select Committee have improved the measure by making that addition. Sir, we are trying this system of voting by proxy, and, if that system is introduced, I do not believe that limiting the number of proxies, that can be held by any one man, will defeat the scheming rich man whom my Honourable friend has in mind. He would certainly be able to find other people to hold proxies on his behalf. I am, therefore, quite convinced that any provision of this kind would be ineffective. We stand on the provisions of the Bill as they are now before the House, and I must oppose this amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That to sub-clause (2) of clause 9 of the Bill, the following proviso be added: 'Provided that no proxy shall be allowed to represent more than ten shareholders at any one meeting'."

The motion was negatived.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 9 stand part of the Bill."

The motion was adopted.

Clause 9 was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 10 stand part of the Bill."

Diwan Bahadur A. Ramaswami Mudaliar.

Diwan Bahadur A. Ramaswami Mudaliar: Sir, I move:

"That sub-clause (1) of clause 10 of the Bill be omitted."

I may say at the very outset that I am in complete sympathy with the underlying object of this provision, that the Directors should only be those who are engaged in agricultural, commercial, financial or industrial activities. My objection is really based on legal grounds. I think the provision is much too vague and may prove harassing to those Directors who are elected if any person takes it into his head to question their qualifications in a Court of Law or other tribunal. I cannot understand how this provision came to be put into this clause in this form. The clause says:

"No person may be a Director or a member of a Local Board who is not or has not at some time been engaged in agricultural, commercial, financial or industrial activities."

I can understand a provision of this kind in connection with the powers of nomination. If the Governor General in Council or the Central Board are given directions to this effect and it is stated that, in nominating members of the Local Board or in nominating Directors, the Governor General in Council or the Central Board should nominate only persons having those qualifications, then the onus of deciding whether they have such qualifications or not is cast on those bodies, and their actions cannot be questioned; but, in the case of elections, if you suggest that these Directors or members of Local Boards should have these qualifications, it would be impossible for the shareholders to test whether they have these qualifications or not. I know that there are provisions in other Central Banks where similar qualifications are prescribed, but you will find that in those cases a preliminary precaution is taken and the candidates are asked to be nominated by certain specified bodies and then the choice is given to the shareholders to choose from among those candidates that are

nominated by those specified bodies. Take the case of Austria, for instance. The Reserve Bank Statute says that nominees to Boards must include a representative of each of the following:

Banking institutions,

Savings Banks,

Industries, Trade, Commerce and Agriculture and Labour,

but, then, how this is worked out is shown by the following provision:

"Three names for each category proposed by representative organs of the professions concerned shall be put forward by the General Meeting of the Board."

You will find similar provisions in the case of Belgium, Esthonia, and a number of other countries. Sir, I move this amendment because I feel that the existence of this provision will at times prove harassing to those Directors or members of a Local Board who are elected and because a shareholder, who is cussed enough not to accept such election, may harass the elected man by moving the Court or other tribunal. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That sub-clause (f) of clause 10 of the Bill be omitted."

Mr. K. P. Thampan: Sir, may I ask a question? Is there any person out of the three hundred and fifty millions of this country who does not come within the scope of this clause? It is very vague, blissfully vague!

The Honourable Sir George Schuster: Sir, I think there is a great deal in what my Honourable friend has said and it certainly is inconsistent with a good deal that I have said to the effect that provisions of this kind should not be included in the Statute. We did, as a matter of fact, in Select Committee make the clause rather wider than it had been before, but I feel that what my Honourable friend has said certainly deserves serious consideration. The qualification, as it stands, is of very little value, and on the other hand it might exclude a highly desirable individual, such as, for example, a distinguished lawyer who had made a special study of banking, but who, I imagine, would actually be excluded by this clause. As regards the interpretation of the clause, I would remind my Honourable friend that, in clause 57 (2) (b), the Board may make regulations as regards the decision of doubts or disputes about the qualifications of candidates so that the particular difficulty with reference to validity of elections does not perhaps arise. But, as far as we are concerned, if that is the general view of the House—and if any other members of the Select Committee have anything to say, I should like to consider it,—but as far as the Government are concerned, we see at present no objection to accepting my Honourable friend's amendment and if no one else has any views to offer which might induce me to change that attitude, we should certainly accept it.

Mr. Gaya Prasad Singh: Sir, as a member of the Select Committee, I may at once say that I have no objection to the Government accepting this amendment of my friend, Mr. Mudaliar. I should have thought

[Mr. Gaya Prasad Singh.]

with regard to some observations which fell from my Honourable friend that sub-clause (2) (b) of clause 57 would probably clear this point, and which says:

"the final decision of doubts or disputes regarding the qualifications of candidates for election or regarding the validity of elections."

These are prescribed under the rule-making powers. The Central Board will frame certain rules and regulations and one of the rules in this connection will be that the final decision will rest with the Central Board as regards the decision of doubts and disputes with regard to this particular point. But this clause, as it is framed, is really, as has been pointed out by my friend, too vague and comprehensive. As a matter of fact, only lawyers, persons of the medical profession, or engineers and members of some other professions, which I need not specify, are excluded, but this qualification is so comprehensive that it might as well be deleted. Therefore, I have no objection to the deletion of this clause.

Sir Leslie Hudson (Bombay: European): Sir, as a member of the Select Committee, I should like to say that I shall be prepared to support the amendment of my Honourable friend, the Diwan Bahadur.

Mr. President (The Honourable Sir Shammukham Chetty): But the adoption of this amendment will exclude Mr. B. Das, who is an engineer.

Mr. B. Das (Orissa Division: Non-Muhammadan): Sir, I do not mind my own exclusion. I am surprised at the dawn of the wisdom to my Honourable friend, Mr. Gaya Prasad Singh, after having taken close interest in the meetings of the Joint Select Committee and considering word by word this particular sub-clause of clause 10. My friend today is so fond of the Central Board that he wants to leave all the powers, to it. Sir, some of us are very anxious that the actions of the Central Board, irresponsible and capitalistic as it is going to be, should be controlled by the Governor General in Council. I cannot understand the reason of all these apprehensions. It is not a new thing. Nobody criticised it when the Bill was being discussed before going to the Select Committee. This clause also found a place in the 1928 Bill. I do not know if it was in the 1927 Bill. So, I cannot understand why these special favours are being shown by my friend, Mr. Gaya Prasad Singh, to the Central Board. We want that the actions of this Central Board should be controlled at every stage. We should not, therefore, provide in the Statute that the Central Board should be endowed with absolute powers to do anything they like, so that their nephews and cousins and partners will come by indirect method of election and nomination to the post of Directors. So, I oppose the amendment.

Rai Bahadur Kunwar Raghubir Singh (Agra Division: Non-Muhammadan Rural): Sir, this clause 10 deals with qualifications and disqualifications of the Directors and the members of the Local Boards. If this amendment proposed by the Diwan Bahadur is accepted, then there will remain no qualification for the Director or a member of the Local Board. The only disqualifications that will remain are to be found in sub-clauses (2), (3), and (4). So, I think it is good that it should remain,

because there are so many qualifications which cover every trade and every commercial, industrial and agricultural activity. So, I think, this sub-clause should remain and, therefore, I oppose the amendment.

Mr. Amar Nath Dutt: Sir, I am surprised to hear from the two previous speakers the remarks they have made. I do not care for the onslaught he has made against a gentleman who happens to come from the same province, but I am surprised that such a clear intellect as that of Mr. Das should have accepted such a provision as sub-clause (1) of clause 10. The very wording is so vague and wide that one can make neither head nor tail of it. I am surprised that, in spite of the presence of Mr. Das in the Select Committee, such a thing found place in the Bill.

Mr. B. Das: I was a State Bank-wala: I was opposed to all this

Mr. Amar Nath Dutt: I see. Sir, the clause runs thus:

"No person may be a Director or a member of a Local Board who is not or has not at some time been engaged in agricultural, commercial, financial or industrial activities."

It says "engaged in agricultural" activities. Now, I do not know what is meant by this phrase. A man may be engaged in agriculture by advancing some money to a man who ploughs the land or he may be engaged in agriculture by keeping the accounts of the amount of paddy that is produced in a particular field, and so on. Does it mean that class of agriculturists? Sir, I cultivate no less than 50 acres of land. I have my servants and my bullocks, and they plough the land for me. Am I an agriculturist or not? I rent out my land to people who cultivate it for me and give me a share of the produce. I would like to know whether I am the agriculturist or they are the agriculturists or both? So, I submit that the phrase "engaged in agriculture" is too vague to find place in any Statute of the Government. Then, again, it says: "engaged in commercial activity". Can I be called to be engaged in a commercial pursuit, because I sell the extra paddy which is grown in my fields? Then comes the phrase "financial or industrial activity". Sir, my financial activities are often shared by my wife and children. Am I and my wife and children to be considered as engaged in financial activities in taking away money from me? Then, again, I fail to understand what is meant by "industrial activity". Every one is industrious. (A Voice: "The grinding of paddy.") My friend knows more about the grinding of paddy, but I know that he moves about in motor cars and that he may be called an industrialist. What I submit, therefore, is that the language of sub-clause (1) of clause 10 is so very vague that it should not find a place on the Statute-book and I wholeheartedly support the Diwan Bahadur's amendment for the omission of this sub-clause.

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): Sir, I think you inadvertently did injustice to my Honourable friend, Mr. B. Das, when you said that he would be excluded by sub-clause (1) of clause 10. Perhaps you will be surprised to hear that he is a banker and also a commercial man, being a member of the Committee of the Federated Chambers of Commerce. Therefore, he will not be excluded under this sub-clause. Nevertheless, I shall be quite prepared to see its exclusion from the Bill for the very good reasons given by my friend, Mr. Amar Nath Dutt.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That sub-clause (1) of clause 10 of the Bill be omitted."

The motion was adopted.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

Mr. President (The Honourable Sir Shanmukham Chetty): The next amendment is No. 133 of Dr. Ziauddin Ahmad. The first part of it is barred and the second part has been postponed for consideration.

Dr. Ziauddin Ahmad: I shall move the second part now.

Mr. President (The Honourable Sir Shanmukham Chetty): So far as the first qualification, disqualifying persons over 65 years of age from being members of the Local Board, the House has already taken a decision on the point of principle. So far as the second portion is concerned, "violates the declaration of fidelity and secrecy", that has been held over, and, therefore, that amendment will not arise now.

Mr. T. N. Ramakrishna Reddi: Sir, I beg to move:

"That after part (c) of sub-clause (2) of clause 10 of the Bill, the following be inserted:

'(f) has been a Director or a member of the Local Board for two consecutive terms immediately preceding his election or nomination'."

Sir, Honourable Members will remember that a similar amendment moved by Mr. Thanpan and Mr. Jog stating that a Director should not serve for more than two terms or should not be a Director for over ten years has been defeated by this House. But this amendment is of quite a different nature. It only precludes a person to stand as a Director or a member of the Local Board for the third time consecutively. That is, if a member has been nominated or elected as a Director for two consecutive terms, then he will be disqualified for standing for election or nomination for the third time consecutively. But if there is an interval of one term, then it does not preclude his being nominated or elected again. That is why my amendment says "for two consecutive terms immediately preceding his election or nomination". The object of this amendment is this. The Honourable the Finance Member opposed the previous amendment that a Director should not continue for more than ten years on the ground that the ripe experience and knowledge of a Director who has already served on the Board for ten years will be lost to the Bank if he is precluded from standing as a Director for the third time. Now, this amendment does not preclude him from standing as a Director or from being nominated as a Director or as a member of the Local Board even

after he has served his period of ten years, but it only requires an interregnum of five years to pass. It is because that we feel that a Director, when once he has been elected, will continue to be a Director on account of various reasons. I need not enter into those causes, because various Honourable Members have already spoken on this point how a Director, when once he becomes a Director, manages to continue for a number of years and thus he holds the Directorship in free hold in perpetuity. The House might remember the instance which Mr. Thampan cited of a Director in the U. P. who, when he became a Minister, got his wife elected in his place and thus created a certain amount of free hold in perpetuity.

An Honourable Member: What is the harm?

Mr. T. N. Ramakrishna Reddi: One harm is that it precludes so many other able persons from becoming Directors. My amendment puts the Director to a test whether he continues on account of his ability or he is there on account of some extraneous circumstances such as manipulation of the electorate. If a Director happens to be there for ten years, he cannot stand for the next term, but if he is such an able man and if his knowledge and experience is such an indispensable factor for the Reserve Bank, then naturally he will again be elected as a Director after the lapse of five years. My amendment only puts a break after the end of ten years for any man to continue and thus puts to the test whether he has come to that position by dint of his knowledge or ability or by means of manipulation of the electorate. If he happens to be a Director for ten years and if he happens to be elected for a second time on account of some manipulation of votes, then he cannot become a Director next time and then he loses his seat for ever. But if he is such a capable man, then naturally he will be elected once again after the lapse of five years. This is on the model of the American Presidentship, that a man may stand for the Presidentship only for two consecutive terms. Of course there is no such rule in the Constitution, but it has become a convention from the time of the great Washington that a man cannot stand for the Presidentship for more than two terms. But, after a break of one term, if he is such an able man, no law precludes him from standing for a third time. This amendment is on that model, and hence the Government should see their way to accept it. With these words, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That after part (e) of sub-clause (2) of clause 10 of the Bill, the following be inserted:

'(f) has been a Director or a member of the Local Board for two consecutive terms immediately preceding his election or nomination'."

Dr. Ziauddin Ahmad: Sir, I very strongly and vehemently oppose this particular amendment, because this motion is against the underlying principle of this Bill, and the underlying principle is that a man once appointed as a Director can only be removed by an act of God and not by any law whatsoever. So the idea is that a man once appointed as a Director or elected as a member of the Local Board must hold office for life. That is the principle underlying the Bill and my friend is really upsetting this very principle that human force should not be able to remove such men: that really is against the principle of the Bill: it is only an act

[Dr. Ziauddin Ahmad.]

of God which ought to remove a Director or a member of a Local Board from office and I, therefore, oppose the motion.

The Honourable Sir George Schuster: Sir, my Honourable friend, Dr. Ziauddin Ahmad, has already made my speech.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That after part (c) of sub-clause (2) of clause 10 of the Bill, the following be inserted:

'(f) has been a Director or a member of the Local Board for two consecutive terms immediately preceding his election or nomination'."

The motion was negatived.

Dr. Ziauddin Ahmad: Sir, I beg to move:

"That for sub-clause (3) of clause 10 of the Bill, the following be substituted:

'(3) No two persons who are partners of the same mercantile firm, or are Directors of the same private or Joint Stock Company, or one of whom is general agent of, or holds a power of procuration from the other, or from a mercantile firm of which the other is a partner, shall be eligible or qualified to serve as Directors of the Central Board or members of Local Boards of the Bank and as Directors of the Central or members of Local Boards of the Imperial Bank of India at the same time'."

There are two parts in this particular amendment. I am not sure about the second part (Laughter) and that is the reason why I have tried to put it explicitly: that is the real cause why we have already got the words "officer or employee of any Bank". I do not know if the words "any Bank" include the Imperial Bank, because it is possible some such question may arise in future. It may be said that the Imperial Bank is a special Bank created by an Act of the Legislature and controlled by the Legislature, and, therefore, unless there is explicit mention about it, this may be excluded and, therefore, I would like to make it explicit.

The other point which I would like to emphasise is that it is not sufficient to say that no two partners of the same firm can be members of the same Local Board. They ought not to be members of any two Boards whatever they may be, because it is quite possible that information obtained on one Local Board may be communicated to the partner who may be a member of another Local Board. My other argument for moving this motion is this: if these two persons happen to be members of two Local Boards, they may both be elected to the Central Board from the two Local Boards, and, therefore, it will violate some other provision of the Bill. I, therefore, very strongly press my amendment and I hope that the Honourable the Finance Member, who very seldom sees sense in any motion that comes from this side of the House, will at least make an exception in this case that after all we also can do some sensible things. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That for sub-clause (3) of clause 10 of the Bill, the following be substituted:

'(3) No two persons who are partners of the same mercantile firm, or are Directors of the same private or Joint Stock Company, or one of whom is general agent of,

or holds a power of procuration from the other, or from a mercantile firm of which the other is a partner, shall be eligible or qualified to serve as Directors of the Central Board or members of Local Boards of the Bank and as Directors of the Central or members of Local Boards of the Imperial Bank of India at the same time."

Mr. Bhuput Sing: Sir, I could not understand him when Dr. Ziauddin said that two members of the same firm elected to the Local Board might go to the Central Board: in clause 10(3), it is provided that no two persons, etc., etc., may be "Directors" or "members" of the same Local Board at the same time. The word "Director" is used only for the Central Board and not for the Local Boards: so the question raised by my friend does not seem to arise.

Diwan Bahadur A. Ramaswami Mudaliar: That may be the intention, but the wording is different.

Mr. Bhuput Sing: The word "Director" is for the Central Board and the word "members" is for the Local Board. That is the meaning as I understand it; and, as regards the Imperial Bank, I cannot understand why any differentiation is made between the Imperial Bank and other scheduled banks. On these grounds, I oppose the amendment.

The Honourable Sir George Schuster: Sir, my Honourable friend, Dr. Ziauddin Ahmad, said he was not quite sure about one part of his amendment. I am quite sure about all parts of his amendment. I think that the provision that we have made in the Bill is entirely adequate and that the extensions which this amendment seeks to put upon that are unjustifiable. As far as I have been able to see, there are three differences proposed. One is that, instead of saying the same private company, the words are "the same private or joint stock company". That, I submit, is bad drafting, because, as far as I know, private company is a joint stock company. In any case, the words "private company" seem to us to be quite adequate for the purpose, and I may inform the House that this sub-clause merely reproduces the sub-section from the Imperial Bank Act which, we are told, has been working satisfactorily.

The next change is that two members of the same firm cannot be members of any Local Boards at the same time. We thought it was unreasonable to prevent one member of a firm being a member, say, of the Local Board at Bombay and another member of the same firm being a member of the Local Board at Madras. We saw no objection to that provided it was made clear that two members of the same firm could not simultaneously be members of the Central Board; and that is provided for in this sub-clause as my Honourable friend who has just spoken has quite correctly pointed out. The words are "may be Directors at the same time".

Then, the last difference is that this amendment seeks to bring in the Imperial Bank of India at the same time and to provide that if any partner in a firm is a Director of the Imperial Bank, no partner in that firm may become a Director of the Reserve Bank. That seems to us to be quite an unreasonable provision. On all these grounds, I must oppose my Honourable friend's amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That for sub-clause (3) of clause 10 of the Bill, the following be substituted:
(3) No two persons who are partners of the same mercantile firm, or are Directors of the same private or Joint Stock Company, or one of whom is general agent of,

[Mr. President.]

or holds a power of procuration from the other, or from a mercantile firm of which the other is a partner, shall be eligible or qualified to serve as Directors of the Central Board or members of Local Boards of the Bank and as Directors of the Central or members of Local Boards of the Imperial Bank of India at the same time."

The motion was negatived.

Mr. President (The Honourable Sir Shanmukham Chetty): The next one is No. 137 standing in the name of Dr. Ziauddin Ahmad.

Dr. Ziauddin Ahmad: I don't want to move it, Sir.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 10, as amended, stand part of the Bill."

The motion was adopted.

Clause 10, as amended, was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 11 stand part of the Bill."

Dr. Ziauddin Ahmad: Sir, I beg to move

"That for sub-clause (1) of clause 11 of the Bill, the following be substituted :

"(1) The Governor or Deputy Governor or any Director elected under clause (d) of sub-section (1) of section 8, or nominated under clause (b) of that sub-section, may be removed from office by the Governor General in Council before the expiration of his period of office if a resolution is passed recording the reasons in writing in this behalf by the Central Board and signed by a majority consisting of not less than nine Directors; and any Director elected under clause (c) of that sub-section or appointed by the Central Board under sub-sections (3) and (4) of section 12 may be so removed by special resolution passed at a general meeting by a majority consisting of not less than one half of the total number of votes held by all the shareholders present at the meeting."

This clause is in accordance with the clauses provided in other Central Banks, and, therefore, I move it.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That for sub-clause (1) of clause 11 of the Bill, the following be substituted :

"(1) The Governor or Deputy Governor or any Director elected under clause (d) of sub-section (1) of section 8, or nominated under clause (b) of that sub-section, may be removed from office by the Governor General in Council before the expiration of his period of office if a resolution is passed recording the reasons in writing in this behalf by the Central Board and signed by a majority consisting of not less than nine Directors; and any Director elected under clause (c) of that sub-section or appointed by the Central Board under sub-sections (3) and (4) of section 12 may be so removed by special resolution passed at a general meeting by a majority consisting of not less than one half of the total number of votes held by all the shareholders present at the meeting."

The Honourable Sir George Schuster: Sir, my friend seems to be so unsure of his amendment that he has been able to give us nothing in explanation of it except that it is an usual clause in the Articles of Association of all companies

Dr. Ziauddin Ahmad: On a point of explanation. I can give any number of reasons if they will appeal to the Honourable Member, but my experience is that no argument or appeal from this side, however sound, appeals to him, and so I thought it best not to say much on the amendment.

The Honourable Sir George Schuster: I should be very glad for my friend to continue throughout these debates on that assumption. The one argument that my friend has advanced seems to me a little difficult to understand, because I cannot believe that there are many companies that in their Articles of Association provide that their Directors may be removed from office by the Governor General in Council. I confess, Sir, that I am not quite clear myself as to the general purpose of this clause, but a very similar purpose and much more easily understood purpose, I think, is served by the amendment which stands in the name of my friend, Diwan Bahadur Ramaswami Mudaliar, next. In any case, I must oppose this amendment No. 138.

Mr. Bhuput Singh: Sir, may I ask one question of the Honourable the Finance Member? Was not a provision similar to this introduced in the 1927 Bill?

The Honourable Sir George Schuster: A similar provision in the earlier Bill?

Mr. Bhuput Singh: In the 1927 Bill as it was introduced

The Honourable Sir George Schuster: I have not got with me a copy of the 1927 Bill here; but, at any rate, that would not affect my attitude towards the present amendment.

Mr. Sitakanta Mahapatra: I have got a copy of the 1927 Bill with me.

Mr. President (The Honourable Sir Shammukham Chetty): The question is:

"That for sub-clause (1) of clause 11 of the Bill, the following be substituted:

"(1) The Governor or Deputy Governor or any Director elected under clause (d) of sub-section (1) of section 8, or nominated under clause (b) of that sub-section, may be removed from office by the Governor General in Council before the expiration of his period of office if a resolution is passed recording the reasons in writing in this behalf by the Central Board and signed by a majority consisting of not less than nine Directors; and any Director elected under clause (c) of that sub-section or appointed by the Central Board under sub-sections (3) and (4) of section 12 may be so removed by special resolution passed at a general meeting by a majority consisting of not less than one half of the total number of votes held by all the shareholders present at the meeting."

The motion was negatived.

Diwan Bahadur A. Ramaswami Mudaliar: Mr. President, I beg to move:

"That in the proviso to sub-clause (1) of clause 11 of the Bill, the words and figures 'in the case of a Director nominated or elected under clause (b) or clause (c) of sub-section (1) of section 8' be omitted."

Sir, I would respectfully invite the attention the House to this amendment as I consider it to be of some importance. The purpose of the deletion of these words is to put the Governor or a Deputy Governor in the

[Diwan Bahadur A. Ramaswami Mudaliar.]

same position as the Directors. If this amendment is accepted, it would mean that there are two authorities whose affirmative consent is required before a Governor or a Deputy Governor is removed from office just as it is provided in the case of Directors that there are two authorities whose consent is required before their removal. It does not make it obligatory on the Governor General in Council to remove a Director, simply because an adverse vote of nine co-Directors has been passed. The Governor General may remove them or may not remove them, but he cannot remove them unless an adverse vote of nine Directors is passed against them. I want the position of a Governor or Deputy Governor to be the same as that of the Directors.

Sir, we have proceeded in this Bill on the basis that the greatest amount of independence is to be shown by the Central Board in its relation to the State or the Governor General in Council. Except in matters where the State is directly concerned and has Statutory powers of intervention, there ought to be no interference of the State in the affairs of the Central Board. It seems to me that the position of the Governor is even more important than that of the Directors. As I said only yesterday, the Governor is the chief managing authority. Large powers will, I take it, be delegated to the Governor by the Central Board, and if the Governor has got the Damocles' sword hanging over him of the possibility of the Governor General removing him in spite of the fact that he commands the confidence of the entire body of the Directors of the Central Board, I do not think it will be a happy position for him. I am aware, Sir, that the Governor is appointed for a term of years, that he comes under a fixed term on a contract, that normally he cannot be removed within that period, but he can be removed for certain misconduct. I want that misconduct to be judged not merely by the Governor General in Council, but also by the Central Board, by the Board of Directors. In the case of his appointment, we have already provided that the Governor General in Council shall, in consultation with the Central Board, appoint a Governor, so that at the stage the appointment is made, there are really two authorities whose opinions are taken and the appointment is then made. The Central Board sends up its recommendation, it comes to some sort of an agreement with the Governor General in Council, and thereafter the Governor General in Council makes the appointment. Now, if that is so in the case of his appointment, surely I venture to suggest it must be so also in an extreme case of dismissal, for that is what we are contemplating under this clause, the Governor should be dismissed where both authorities concur that that dismissal is necessary, the Central Board by a majority of nine votes. I am not treating it as a bare majority, but as a substantial majority of nine votes, and also the Governor General in Council agreeing to it. I do not know what the Constitution is likely to be in this respect in the new Act, but let me take it on both hypotheses. Supposing it is the Governor General in Council, and it continues to be the Federal Government of the future, then I venture to suggest that in the case of the Federal Government,—that is the Governor General being advised by the responsible Minister, it will be dangerous to give an absolute power to the Federal Government to remove a Governor in spite of the fact that the Central Board has the fullest confidence in him. Conversely, if in the Amendment Act the Adaptation clause were to suggest, as I think, it will, that the Governor General at his discretion will be the person to remove the Governor, even then I suggest it will be dangerous to give the power to the Governor General without at the same time requiring that a substantial majority of the Directors who watch the working of the

Governor agrees with the Governor General in Council that it is desirable to remove the person who has held the high and responsible office of

3 P.M. Governor. After all, this must be a very extreme case. I hope it will never arise, but a provision like that is necessarily bound to hamper the sense of independence of any Governor. I hope the argument will not be addressed by the Honourable the Finance Member that surely the Governor General can be trusted to do what is proper and he will not invoke this power or utilise this power without good reasons. That argument does not carry us very far at all. If there is a suspicion that interests abroad are guiding the Governor General in his actions in this respect, that suspicion would only be confirmed if this provision were to be found in this manner. This phraseology may be construed to include also the nominated Government representative on the Board. I have not excluded him, but I may say that I do not think the person contemplated in clause 8 (f) (d) will come in. At any rate, it is not my intention that anything should be done with reference to him. He is appointed under the same clause at the pleasure of the Governor General in Council. Therefore, there is no question of his being removed only because of an adverse vote of nine Directors. He may be removed at any time, because he holds office at the pleasure of the Governor General in Council. My amendment will not, therefore, apply to him. It only applies to the Governor and the Deputy Governor and I want to place them in the same position as the other Directors, liable to be removed and only liable to be removed where both the Central Board, by a majority of nine Directors, and the Governor General in Council or the Governor General at his discretion agree that it will be best that they should be removed. My Honourable friend, Mr. Bhuput Sing, a few minutes ago, asked the Honourable Member whether in the Bill that was attempted to be introduced by Sir Basil Blackett a provision of a similar kind had not found a place. As a matter of fact, that Bill did provide for exactly the same contingency. Clause 11 said:

"The Governor General in Council may remove from office a Governor, a Deputy Governor or any Director nominated or elected under clause . . . on a resolution passed by the Board in that behalf by a majority consisting of not less than 15 Directors."

I venture to think, from the point of view of the independence of the functioning of this Bank, that the Governor should be placed in exactly the same position as other elected or nominated Directors. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in the proviso to sub-clause (f) of clause 11 of the Bill, the words and figures 'in the case of a Director nominated or elected under clause (b) or clause (c) of sub-section (f) of section 8' be omitted."

Mr. Bhuput Sing: Sir, I support the amendment moved so ably by Diwan Bahadur Ramaswami Mudaliar. He has pointed out a similar provision in the 1928 Bill. I find a similar provision in the 1927 Bill as well which was introduced in that year. Clause 10 of that Bill says:

"The Governor or Deputy Governor . . . may be removed from office by the Governor General in Council . . . if a resolution is passed in this behalf by the Board by a majority consisting of not less than nine Directors . . ."

In both the previous Bills, similar provision was made, and I do not know why the Government are so much opposed to have a similar provision in the present Bill. After all, the Central Board must have power

[Mr. Bhuput Sing.]

over the Governor to control him, because he is expected to serve the Central Board and not be master over them on behalf of the Governor General in Council. I am not at all convinced by the Government's arguments as to why the Central Board should have no power over the actions of the Governor. For these reasons, I support the amendment.

The Honourable Sir George Schuster: This amendment raises a very important point. I should like at the outset to remind my Honourable friend, who moved it, of the recommendation in the London Committee's report on this matter. It is contained in Appendix I. Notes on clause 11 (1):

"Elected Directors should be removable by the Governor General in Council on a resolution passed by the Board by a majority consisting of not less than nine Directors; other members of the Board should be removable by the authority which nominated or appointed them."

That, Sir, represents a very important feature in what in a certain sense was an agreement reached in London. I say an agreement in a certain sense because, as far as the Secretary of State's side of the business is concerned, he, as I have already made clear to the House, does regard himself as bound to stand on this London report, and its recommendations will be treated as part of the Government's proposals. When we came to draft the Bill in accordance with the recommendations of this Committee, we were—and I want to be quite frank with the House—we were in some difficulty as to how to incorporate this particular recommendation. The appointment actually has to be made by the Governor General in Council, he is the appointing authority. On the other hand, it is quite true that, again, as a result of the London discussions, his absolute power was to some extent qualified by the provision that he must make the appointment after considering the recommendations made by the Directors. Therefore, if we wanted to follow out exactly this recommendation, or to create an exactly even antithesis between the power of appointment and the power of removal, then we should have had to say something in this case to the effect that the power of removal should again be exercised after considering the recommendations of the Board. But when we came to try and draft it in a clause, we found very great difficulty in exactly reproducing the same provision. It is one thing to say that the original appointment must be made after considering the recommendations of the Board, because that contemplates a possibility, at any rate, that the Governor General would not actually act on those recommendations. But when one comes to consider removal, then, if the Board are going to be brought into it and there is any possibility of a difference of opinion between the Governor General and the Board, it is quite clear that that would lead to a most undesirable situation. Therefore, in drafting the Bill, we stuck to the letter of the recommendation and simply put in that the power of removal should be in the hands of the Governor General in Council who is literally the authority that appointed those officers. I am very sorry that this point was not raised more fully in the Select Committee, because I am bound, as I say, to admit that this does not exactly reproduce the same provisions for removal as for appointment. On the other hand, my Honourable friend's amendment goes very much too far. Let us contemplate the two possibilities. There might be a possibility that the Governor General wanted to remove a Governor and that the Board did not want to have him removed. In that case, I submit, that even without any provision of this kind, the Board—and this is a point which we did discuss in

the Select Committee—the Board really are going to be put in the position, for all practical purposes, of making the situation impossible. They can all resign if they want to. If there is really a difference of opinion between the Governor General and the Board—I am not merely standing on the position that we should trust the Governor General—the Board will have a really important influence on the situation, and I do submit that in practice it will be impossible for the Governor General to act in conflict with the Board if there is really a strong feeling about it on a matter of that kind. On the other hand, if the Board want to remove a man that the Governor General wants to keep, it would be a very unfortunate position I think to have the Board discussing a matter of that kind and passing a resolution. Let there be informal discussion by all means. Let the Directors go and see the Governor General about it and represent their strong feeling on the matter, and that, I believe, he will be bound to respect.

Diwan Bahadur A. Ramaswami Mudaliar: That would be individual Directors seeing the Governor General.

The Honourable Sir George Schuster: One can imagine how that sort of thing would work out. It would be individual Directors seeing the Governor General no doubt.

Sir Cowasji Jehangir: May I remind the Honourable Member that the Board can, without any provision in the Bill, pass a resolution by an ordinary majority requesting the Governor General in Council to dispense with the services of the Governor. That would be in the nature of a vote of censure and we did discuss that in Select Committee and that was admitted and that was why no further provision was included in the Bill. I would remind him of it. The position was whether the Board can recommend the removal of the Governor. We discussed that provision and it was pointed out to us, and rightly pointed out to us, that without any provision in the Bill the Board had that right. They can pass any resolution and they could certainly pass a resolution of vote of no confidence in the Governor by an ordinary majority and then it would be left for the Governor General in Council to decide whether any Governor should be removed or not. It was pointed out that if the Governor General did not remove the Governor, then the Board could make the position absolutely impossible for the Governor.

The Honourable Sir George Schuster: I am very grateful to my Honourable friend for having pointed that out. I recall that discussion and he is perfectly correct. That was the position which the Select Committee accepted. It is undoubtedly possible, as my Honourable friend points out, for the Board to pass a resolution even without any special power in the Bill, but what, I believe, would happen in practice is that, before they went so far as to pass a formal resolution, there would be informal discussion between one or two Directors and the Governor General and I believe that that is much the best way to deal with this. In any case I must take this point of view on this amendment. It is something which was never contemplated when the whole plan on which, as I say, the Secretary of State is prepared to stand was settled in London. It goes very much farther than anything that could possibly be read into the report of the London Committee. Therefore, I must oppose it and I think one is justified in taking the line that was taken by the Select Committee and relying on the practical power of the Central Board to make it impossible for the Governor General either to maintain a man as Governor in whom they have no

[Sir George Schuster.]

confidence or to remove a man from the post of Governor in whom they have confidence. I believe that that is how things will work out in practice and I would strongly recommend the House not to pass this amendment.

Diwan Bahadur A. Ramaswami Mudaliar: Will you allow me to make a personal explanation? According to my interpretation of it, the London Conference meant that the same authority which appoints a man can also remove him and I even pointed out that the authority which appoints the Governor is not merely the Governor General at his discretion, but the Governor General in consultation with the Board.

The Honourable Sir George Schuster: My Honourable friend knows very well how carefully those words were thought out in London. It is the Governor General "after considering the recommendations of the Board". That is a very different thing to providing in the Statute that nothing *can* be done by the Governor General except on a resolution passed by a majority of nine Directors.

Mr. President: The question is:

"That in the proviso to sub-clause (1) of clause 11 of the Bill, the words and figures 'in the case of a Director nominated or elected under clause (b) or clause (c) of sub-section (1) of section 8' be omitted."

The motion was negatived.

Mr. Sitakanta Mahapatra: I beg to move:

"That in sub-clause (2) of clause 11 of the Bill, for the word 'five', occurring in the eighth line, the word 'one' be substituted."

The object of my amendment is very clear. I simply want to keep the field for Directors or members more open than at present. Now, a man, who has not got shares worth Rs. 5,000 or has not got Rs. 5,000 in his pocket to purchase shares, cannot be a Director or a member. I want to reduce this onerous Rs. 5,000 qualification to Rs. 1,000. In a country, such as India is, Rs. 5,000 even is too much for an average man. Thereby a large body of sincere public workers, highly educated and qualified, may be excluded. As at present, a Professor of Economics in some College, who has never cared to amass money in his life but is otherwise highly fit for such an office, may be excluded. To give a typical example. I may mention the name of the world renowned economist, Professor Kale. Sir, in the Servants of India Society, there are members who have dedicated their lives to the country's service and have accepted poverty, some of whom may with credit adorn the Chair of the Governor even, which is not probably open to Indians. Are they to be excluded for all times to come? They cannot purchase shares worth Rs. 5,000. If they are elected, even six months time will not help such honest men. They cannot earn even Rs. 5,000 in six months unless they join a band of political dacoits in Bengal. Sir, by moving this amendment, I am only echoing the sentiments of the Honourable the Finance Member, the Hamlet of this play, who, during his long stay in India, has come to know how poor an average Indian is. Let me quote from what he spoke in this House a few days back:

"There was a question of what the qualification shares for a Director should be. A good many Honourable Members of the Select Committee thought that the qualification should not be so high as to make it difficult for a man who does not happen

to be a wealthy capitalist to become a member of the Central Board or one of the Local Boards. It was represented by one of the members that it might be difficult for a man who wished to go on a Local Board or the Central Board to buy up the necessary five thousand rupees shares in the market and, therefore, in order to meet that difficulty, we, I do not know whether it was on our side, or whether it came from the unofficial members of the Committee, the suggestion anyhow was made that the Government should keep a certain amount of shares in reserve available for issuing as the qualification shares to any Director who found it difficult to buy these shares in the market. . . . That seems to us to be a reasonable provision. It may be, as my Honourable friend has said, an unusual provision, but it is a very unusual form of company and Government will be interested in seeing that the best possible Directors are available.

These are his words. He has taken quite a liberal and broad view. Why not go a bit further and take a still more liberal and broader view? But, unfortunately, he sticks like anything to the provisions of the Bill unless an amendment comes from a big person. Then, on this occasion, Sir Cowasji Jehangir, the Honourable the Leader of the Opposition, spoke as follows:

"This was an amendment suggested by my friend, Mr. Mitra. I think he was too modest to tell the House, in the interest of the poorer shareholders who may be elected by the shareholders to represent them on the Local Boards. And a man may not have Rs. 20,000 in his pocket, but still, as Mr. Mitra said, may have the brains and the ability to serve not only this Bank, but, after all, his country through this Bank."

Many thanks to him for his very kind feelings for his poorer brethren. I respectfully ask: "Why not go further and take a still broader view?" Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (2) of clause 11 of the Bill, for the word 'five', occurring in the eighth line, the word 'one' be substituted."

The Honourable Sir George Schuster: Sir, I must oppose this amendment. The reason why we adopted the provision about which I was speaking in the passage which my Honourable friend has just quoted was to make it possible for a man, who could not afford to risk a capital loss on buying shares, to acquire shares at par knowing that he could dispose of them again at par. We were not contemplating that there would be appointed as Directors men who could not even raise Rs. 5,000 to buy up their shares. My Honourable friend says that Rs. 5,000 is too much for the average man, but certainly we want to have on the Local Boards and on the Central Board men who are a little better than the average man. The provision, as it now stands, represents a substantial reduction from the proposals that were originally made. The original proposal was Rs. 10,000; we have cut it down to Rs. 5,000 in the interests of the poorer class of shareholders. My Honourable friend wants us now to go further in the interests of the poorest class of shareholders. I think, Sir, that is an unreasonable extension of the move that we are ready to make, and I must stand on Rs. 5,000.

Sir Cowasji Jehangir: May I point out to the Honourable Member that provided Government give these shares at par, as is provided for in the Bill, and with the assistance of certain Banks, much less than Rs. 5,000 will be required in cash by anybody who desires to be a Director?

An Honourable Member: But will that be an unencumbered share?

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (2) of clause 11 of the Bill, for the word 'five', occurring in the eighth line, the word 'one' be substituted."

The motion was negatived.

Diwan Bahadur A. Ramaswami Mudaliar: Sir, I move:

"That at the end of sub-clause (2) of clause 11 of the Bill, the words and figures 'convened under sub-section (7) of section 13' be inserted."

This is a very simple amendment. You will notice that, under clause 13, there are what I may call Statutory meetings of the Central Board convened by the Governor at least six times. Then, there are special meetings which may be convened on the requisition of any three Directors. Now, if a Director is to lose his appointment, because he has been absent from three consecutive meetings, I suggest that it is reasonable that that provision should apply to the Statutory meetings. Otherwise, it may happen that a Director may be absent for two months and requisitions may be given on more than three occasions during this period for special meetings of the Board, in which case he would lose his seat. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That at the end of sub-clause (2) of clause 11 of the Bill, the words and figures 'convened under sub-section (7) of section 13' be inserted."

The Honourable Sir George Schuster: Sir, I am quite prepared to accept my Honourable friend's amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That at the end of sub-clause (2) of clause 11 of the Bill, the words and figures 'convened under sub-section (7) of section 13' be inserted."

The motion was adopted.

Dr. Ziauddin Ahmad: Sir, I move:

"That sub-clause (5) of clause 11 of the Bill be omitted."

Sir, this sub-clause says:

"The appointment, nomination or election as Director or member of a Local Board of any person, who is a Member of the Indian Legislature or of a local Legislature, shall be void, unless, within two months of the date of his appointment, nomination or election, he ceases to be such Member, and, if any Director or member of a Local Board is elected or nominated as a Member of any such Legislature, he shall cease to be a Director or member of the Local Board as from the date of such election or nomination, as the case may be."

Sir, a provision of this kind might have got some force had it been a State Bank and had the nomination been entirely in the hands of the Government of the day, and the provision might have been made in order

to avoid the nomination of Members of the Legislature belonging to the Party to which the Minister may belong. But now that it is going to be a Shareholders Bank and not a State Bank, I do not see why a Member of the Legislature should be disqualified and treated as an untouchable in a Bank to which election is made by means of the shareholders. If a person is very well qualified and elected by the Local Board and they are themselves elected by the shareholders, and he himself has got business ability, and possesses the requisite qualifications necessary for being a member of a Local or Central Board, to say that, because of his being elected as a Member of a Legislature, he is disqualified is a proposition which is unintelligible to me. Now, if I become a non-co-operator and excite the whole public against the Government and boycott the Legislature, I will be eligible to become a member of a Local or the Central Board, but if I be an honest man and practice co-operation and join the Legislature, then immediately I become disqualified.

Mr. Amar Nath Dutt: Do you mean to say that non-co-operators are dishonest?

Dr. Ziauddin Ahmad: They are more honest than we are. (Hear, hear.)

Mr. Gaya Prasad Singh: That should be on the record.

Dr. Ziauddin Ahmad: Sir, it amounts to putting a great discount on the fact that we are elected Members of the Legislature. I could have understood the force of this clause had there been a State Bank and all the members had been nominated by the Government, but since we are not to come to this Bank as Members of the Legislature but are to be elected by other authorities, I see no reason why this thing should be considered to be a disqualification. Sir, we have removed just now certain qualifications for the membership. We have just legislated that a member of a Local or the Central Board may or may not have any qualifications either as agriculturists or possess experience in commerce, industry or finance. Now, this exclusion of Members of the Legislature from membership is not really common in the constitution of the Central Banks of other countries. There are only one or two Banks in which such a provision exists, but the cases are very peculiar to those countries. Here we have made ample provision otherwise. Therefore, it is not necessary that we should prohibit a person from being a member of a Local Board if by chance he is elected to be a Member either of a provincial or the Central Legislature. Now, in the case of the Central Legislature, there may be some kind of force, because some nominations are made by the Governor General in Council, but I see absolutely no reason why a person, who is a Member of the local Council, say, of the Central Provinces or of any other province, may be debarred from being a member either of a Local or the Central Board. Sir, we have made ample provisions otherwise, and there should be some kind of limit to the humiliation to which the Members of the Legislature are exposed. (Hear, hear.) We have been hearing for days and days that this Bank should be free from political influence. Sir, according to these words, "political influence", we have excluded in every possible manner the influence of the Legislature. We took absolutely no pains to exclude the influence of the British political organisations in spite of the fact that the influence of the Indian politicians has been scrupulously removed. The influence of the British politicians has not been removed at all. I lay very great emphasis on the fact that

[Dr. Ziauddin Ahmad.]

now that it has been decided to have a Shareholders Bank, the Legislature has got absolutely no voice in this matter. A few *nimboo-nichors* will guide the financial destiny of India. What I say is this that, if, by chance, some one of us, Members of the Legislature, happen to be a *nimboo-nichor*, why should you exclude him simply because he happens to be a Member of the Legislature. I do not want to repeat the arguments that were advanced at the time of the general discussion, namely, that the intention of this Reserve Bank Bill was not really to set up a good Bank, but to remove the control over the money market from the hands of the Legislature and to place it in the hands of a few men in Whitehall. I have often said that the Bank will be governed by Whitehall and the Indian Legislature will have no occasion now even to expose the mistakes that may have been committed either by the politicians at Home or by the few capitalists in this country. Therefore, to my mind, putting discount on the Legislature is certainly humiliating and it is not required in the case of a Shareholders Bank. Therefore, I do not see any reason why we ourselves should put this blame on ourselves. Of course, if the Government want to do it, that is their business. But for ourselves to say, that we also want it, is quite unintelligible to me. I would finish my speech by quoting an Urdu couplet:

*"Doston se ham ne wuh sukhte utha'e jân per
Dil se dushman ki aqâwat kâ gilah jatâ rahâ."*

This means: "We have received so much trouble from our own friends that we have now no more to say against our enemies".

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That sub-clause (7) of clause 11 of the Bill be omitted."

Rao Bahadur B. L. Patil: Sir, I rise to support this amendment. As my friend, Dr. Ziauddin Ahmad, stated, I am not in a position to see what kind of influence, political or otherwise, can a Member of this Legislature or of a Provincial Legislature will be in a position to wield upon the Reserve Bank. Let us take a concrete example. In the coming Reserve Bank, let us suppose that Dr. Ziauddin Ahmad is elected as a Director (Dr. Ziauddin Ahmad: "No chance"), can any Honourable Member in this House get up and state in what way and in what sense he would be able to influence the Reserve Bank? Let us suppose that Dr. Ziauddin Ahmad even then belongs to the Independent Party. What can the Independent Party have to do with a particular action or a policy to be taken by the Reserve Bank? Certainly, that policy will be guided by the Central Board of the Reserve Bank and no single Party, either in the Opposition or in favour of Government, will have anything to do with it. Therefore, in my humble opinion, this amendment is reasonable and, when you have eliminated the possibility of a State Bank being formed, there is no harm whatsoever in accepting this amendment. This is really an innocent amendment. I do not know why the framers of this Bill are prejudiced against the Members of the Legislature. I beg to submit that their fears are unfounded.

Then, Sir, I have got one more thing to say in this respect. In this country, there is a dearth of public spirited men to take upon themselves public work. For that reason, we are seeing it every day that the same

set of people are occupying places in different public institutions and, if we restrict the Directorship of the Reserve Bank in this way, we are likely to lose our best men. Our public men, who have any initiative on the financial side or the banking side, will be lost to this House if we exclude them in this way. For this reason, I submit that it would be unfair to exclude the Members of the Legislature to continue as Directors of the Reserve Bank. I, therefore, support the amendment.

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) vacated the Chair which was then occupied by Mr. Deputy President (Mr. Abdul Matin Chaudhury).]

Mr. K. C. Neogy (Dacca Division: Non-Muhammudan Rural): Sir, about 12 years ago, we had a colleague in the first Legislative Assembly who speculated as to what the three letters after our names that indicated our membership of this House could mean to an outsider, and he very irreverently suggested that they could mean membership of a lunatic asylum. If he were here today, he would have been interested to find that my Honourable friend, Sir George Schuster, wants to place the Members of this Legislature exactly on the same footing as lunatics by extending the disqualification of a lunatic under section 10 to all Members of the Legislature under this particular sub-clause. There are people, I know, who do consider the Members of this Legislature, particularly of the present Legislature, to be more or less lunatics.

Mr. Amar Nath Dutt: May I suggest one remedy? At my maternal uncle's place, there is a goddess Kali which cures lunacy and I invite all the Members to his place. I am prepared to take them all there at my expense.

Mr. K. C. Neogy: Certainly, there are people who would consider the patience and the earnestness, with which some of us have been devoting to our task here in this Legislature, to be a sign of lunacy. Apart from that, I remember that when the Bill of 1927 had to be dropped by Government, it actually floundered on the question as to whether the Legislature as a Legislature should be represented on the Board of Directors of the Reserve Bank. As far as I remember, there was no strong idea at that time in the minds of the authorities that mere membership of the Legislature should constitute a disqualification. What was strongly opposed was the idea that the Legislature as Legislature should have anything to do with the management of the Reserve Bank through its own elected representatives on the Board of Directors. Since then, we have undoubtedly made a very good progress in so many directions including this. And my Honourable friend wants to make Membership of the Legislature to be a disqualification for anybody who might otherwise be qualified and who might have secured the support of the shareholders of any particular register to be elected on the Local Board. I quite agree that there may be something to be said against the idea of the Legislature as Legislature trying to influence the course of business of the Reserve Bank through its own elected representatives on the Board of Directors. But I fail to see how it is possible for any individual Member of the Legislature, merely because he happens to be a Member of the Local Board, to influence the working of the Board in such a manner as would not be possible for perhaps a much more extreme politician, who may be placed on the Board by the votes of his fellow-shareholders as a Director of that Board. For instance, there is nothing to prevent a man who is

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wedded to communism, who may be a member of an extremist organisation in the country, and who, therefore, might boycott this very Legislature, there is nothing to prevent such a man from being elected by the shareholders of any particular local register on the Local Board. Are we to be treated as untouchables in this matter, are we to be treated as even worse than those people who certainly are not considered by Government to be desirable in regard to the management of a Central Bank? As far as I know, there is no such disqualification attached to the Directorship of many other Reserve Banks in the other countries. But I speak subject to correction.

The Honourable Sir George Schuster: You will be corrected.

Mr. K. C. Neogy: Whatever it is, so far as I can see, we, on this side of the House, can never agree to any such disqualification being attached to Membership of the Legislature. As has already been pointed out, something could be said with regard to a Member of the Central Legislature, because in a way, the Central Government and the Governor General might be influenced by what a Member of the Central Legislature might do in his capacity as a Member, but no such objection could possibly be raised to a Member of any local Legislature being elected as a Director or as a Member of the Local Board. Perhaps my Honourable friend, when he gets up to correct me in regard to this particular matter as regards disqualification of Members of the Central Legislature, will also be good enough to say as to whether Membership of a local Legislature in every country having a Federal Constitution is also considered to be a disqualification for the purpose of Directorship of its Reserve Bank.

Raja Bahadur G. Krishnamachariar (Tanjore *cum* Trichinopoly: Non-Muhammadian Rural): Sir, two years ago, the question of the constitution of a Statutory Railway Board was under discussion on the floor of the House and, at that time, the question of political influence arose. I asked the Honourable Members on the Treasury Benches to define political influence. For some time there was a discursive discussion upon that, but eventually there was no real definition given. Everybody said what he liked, but there really was nothing to tell you what political influence meant. There is no doubt, and it has been said from the beginning that the Reserve Bank should be constituted without any tinge of political influence in it. But, what is political influence? Take the Governor of the Reserve Bank himself. Whom are you going to appoint? Is it pretended, can it be said, with any show of reason, that directly he sits on the chair of the Reserve Bank, he has forgotten all political views, that he does not possess any strong views on politics or political questions of the day? It is absolutely impossible, you cannot divorce from your mind, you cannot forget all your past, you cannot dissociate yourself from all your ideas, simply because, all of a sudden, you are raised to the post of Governorship of this Reserve Bank for a period of five years. Consequently, as has been rightly pointed out by my Honourable friend, Dr. Ziauddin Ahmad, the whole question comes to this. If I had very strong political views even to the extent of wrecking a Government institution, and if I have been elected by a majority of shareholders, no one can object to my being a member of the Local Board or, if I became a Director of the Central Bank, no one can remove me on that account. Yet if I, the same person, had also been elected to the Central Legislature, directly that event happens, I should be disqualified. May I ask,

why? Time after time when I moved my amendment about legislative provision for certain things, I was told that the same thing would happen, but "don't you go and ask for its being provided for in the enactment". You have wiped out all qualifications, or disqualifications by the amendment of my Honourable friend, Mr. Mudaliar, whom I should congratulate—for, after all, he is the one man who has been able somehow or other to induce the Government to accept his amendment—you have wiped out all that, why do you keep this one thing as a relic? Do not put any qualification or disqualification. As it has been so from the very beginning, leave the whole thing to be adjusted anyhow. As I said the other day, the less the qualification, the better for a man to be put on the management or on the Directorate, and, I submit, it is a perfectly logical position to take that, if you do not want to have any qualification set forth in the enactment and if, upon the same ground, you have even wiped out the remaining qualification, for instance, which you have laid down in clause 10, sub-clause (1), why keep it now? I, therefore, ask that this also should be wiped out so that the thing may be *tabula rasa* and you may write anything you liked upon it.

Mr. N. M. Joshi: Mr. Deputy President, I rise to support the amendment. There are some people who have a bias or prejudice against politicians and that prejudice appears everywhere, whether there is proper occasion for it or not. I think the Government of India is one of those parties. They try to keep politics out of everything. Unfortunately politics cannot be kept out. They themselves must realise that, so long as they possess power as the Governor General in Council, so long as the Governor General in Council is under the direction of the Secretary of State in Council, and so long as the Secretary of State is a Member of the British Parliament, you are not going to keep out politics at all. If you cannot keep out politics, why penalise the Indian Legislature? I fully realise that the Government of India have good cause of complaint against the Indian Legislature. They are troublesome, but is that the reason why the Members of the Legislature should be kept out of every blessed public institution?

Mr. N. N. Anklesaria: How many institutions they are kept out from?

Mr. N. M. Joshi: This is one from which the Members of the Legislature are to be excluded and, if my Honourable friend, Mr. Anklesaria, either by himself or through the Government of India, starts other institutions, I am quite sure, they will make such proposals. Let us wait and see, we may have a Bill within a few months for the establishment of a Statutory Railway Board, and I am not sure whether that clause will appear there or not. I am afraid it will. Mr. Deputy President, a clause of this kind only shows the prejudice which, not only the Government of India, but several other people have against politicians. The trouble is that they cannot keep out politicians. What they really want to do is to keep out a certain class of politicians. It has already been made clear that you cannot keep out the influence of British politics so long as the Secretary of State is there, and this control of the Government of India is there. On the other hand, my Honourable friend, Mr. Neogy, has made it abundantly clear that it is not only Members of the Legislature who have politics, but there are

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thousands of others in the country who have got politics. Suppose, for instance, the Honourable the Finance Member considers the big industrialists of Bombay to be quite fit to be Directors of the Reserve Bank: have they got no politics? Our friend, Sir Cowasji Jehangir, came here, because he has got politics; my friend, Mr. Mody, came here, because he has got politics. Suppose they had not been Members of the Legislature, they would certainly not have ceased to be politicians; and, so long as you are not suggesting that no man who is a member of any political party should be a Director, you are not going to keep out politicians. If you really want to keep out politics altogether, at least make a rule or insert a clause that no man who is a member of any political party should be qualified to be a Director. Then I can understand your keeping out politics; but, by merely keeping out Members of the Legislature, you are simply exhibiting your prejudice against the Legislature and nothing else. You are not going to keep out politics. My Honourable friend, Mr. Neogy, has also made it quite clear that there is no provision which will enable the Members of the Legislature to elect Directors. If you had such a provision—not that I would have even then disqualified the Members of the Legislature—there would have been some understandable reason. But there is no such power given to the Legislature. As a matter of fact, the Legislature after this Bill is passed and after the establishment of the Reserve Bank, will have very little power over the Reserve Bank. If the Legislature had really effective power over the Reserve Bank, I can well understand your telling the Members of the Legislature that after all “you are a sovereign body, you have to supervise and control the work of the Reserve Bank, and it is for that reason that you should not be members of the Reserve Bank Board”. But your Reserve Bank Bill provides very little power to the Central Legislature over the affairs of the Reserve Bank. I, therefore, think that there is absolutely no justification for preventing Members of the Legislature from being Directors. I hope that the Assembly will vote for this amendment.

Mr. Amar Nath Dutt: Sir, I rise to support the amendment. I was just looking at the report of the Select Committee to find out the reason for the insertion of such a clause; but I do not find any, save and except the reason for having increased the time limit to two months. I supported the amendment for the deletion of sub-clause (1) of clause 10 which was accepted by the Honourable the Finance Member. I think, if he could accept the deletion of clause 10 (1), he might as well accept the deletion of this sub-clause which bears an analogy to it in this way, namely, by deletion of clause 10 (1), we wanted not to restrict the election of a Director to any particular class or community; here also what we find is that there is a restriction about a class of men who are at the present moment highly unpopular with a particular section of their own countrymen and who have risked that unpopularity honestly believing that they can serve their country here, and there can be no doubt, that the elected Members, who have come here, had to face the furore of opposition from their own countrymen and were not dissuaded from doing what they thought to be their duty to their country, merely because they may be unpopular for a moment with a particular section of their countrymen; because they believed that no sacrifice was too great for one's own country, not excepting popularity itself. Seekers

after popularity may think what is the use of going to Legislatures when people will speak ill of you or when there is a set of propagandists who would spread false rumours about you. But I never knew that the Government also would ask us to accept the dictum of those who were for boycott of Legislatures, and the Government, in their wisdom, had inserted a clause here preventing Members of the Legislature from being either a Director or a member. My Honourable friend, Mr. Neogy, has referred to the three letters against our names: as meaning "Members of the Lunatic Asylum". Do Government accept the view which has been made jocosely? If so, I can suggest a remedy. There is a goddess *Kali* in a little village, called Tirol, in Bengal which is my maternal uncle's place and the iron bangles of the goddess cure lunacy and I am prepared to take such of the Members, who need lunacy cure, to the goddess at my own expense

Mr. Gaya Prasad Singh: Why do you not cure yourself first?

Mr. Deputy President (Mr. Abdul Matin Chaudhury): The Honourable Member must confine himself to the amendment and not go on about the remedies for lunatics.

Mr. Amar Nath Dutt: I think I should first take Mr. Gaya Prasad Singh there. The cure for lunacy apart, as I was submitting, if the Honourable the Finance Member has been pleased to accept the deletion of clause 10 (I), he should have no objection to accept the deletion of clause 11 (5) also. Interrupting my friend, Mr. Neogy, the Honourable the Finance Member observed that he would enlighten us as to the countries where there were such restrictions. There may be such restrictions, and probably Austria has such restrictions. Germany has also the same restriction; but, Sir, there are certain other provisions in these Banks which we have not accepted here, for example, proxies.

Mr. K. C. Neogy: Control being vested in nationals.

Mr. Amar Nath Dutt: Yes, control being vested in nationals as in Germany. If you are to follow the model or analogy of a

4 P.M. particular country in respect of its Central Bank, either you should accept all the provisions, or do not accept any of the provisions. In this connection, I am reminded of the story of a voracious Brahmin, about an invitation to a *phalahar* to which one of each Brahmin family was invited. The elder brother said to his younger brother: "Well, either you go and tend the cows and I go to the *phalahar*, that is the feast, or I go to the *phalahar* and you tend the cows". These were the two alternatives. So, in this case, we are asked either to accept this restriction of Austria and reject the others and accept the restrictions of Austria. This is certainly not fair.

Then, Sir, I tried to understand the reason underlying this particular sub-clause regarding the exclusion of Members of the Legislature. Are they incapable or is it contended that they will not be able to find the time? I cannot understand the real reason for excluding the Members of the Legislature. If they are regarded as incapable, it must be said that they are equally incapable of being Members of this Legislature to frame the Statute law, for the guidance of the people. If it is held that they will not find the time, that argument cannot hold water for a moment, for we see here gentlemen who are business magnates, managing their

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business with ability and at the same time, they carry on the work of this Legislature with efficiency day after day. I need hardly name them, as some of them are present here on the floor of this House. That being the case, I think that this sub-clause should be deleted, and that the Government will lose nothing by its deletion. With these words, I support the amendment.

The Honourable Sir George Schuster: Sir, I must oppose this amendment. There is an important principle involved which, I think, all Honourable Members, who have spoken, fully recognise. I do not oppose it without some regret, because I recognise that one of the great difficulties before the Reserve Bank in the future will be to find suitable Directors, and, therefore, one naturally regrets excluding any class of individuals, particularly such a harmless and intelligent class, as the Members of the Legislative Assembly. Sir, it is impossible to agree to a provision of this kind without creating all sorts of undesirable reactions. There would at once be a conflict of duty and interest set up among those who were both Members of the Legislative Assembly and Directors of the Reserve Bank. It must be the duty of a Director of a Bank of this kind to keep out of politics. On the other hand, it must be the interest of a legislator to bring in politics, and if one imagines the position of a member, a prominent member, of any political party which may, as part of its political programme, have taken up the support of a particular financial policy,—and financial policies are very much brought into politics in India, and indeed in every country today,—it must be obvious that that man's position as a Director must be prejudiced, he would be a source of embarrassment on the Board, and his position in relation to the Legislature would, as I have already said, lead to many undesirable results. Take, for example, the situation which would arise from the point of view that such an individual must have a knowledge of the relations between Government and the Bank. Very confidential matters must be disclosed on those occasions, and then that individual, as a Member of the Legislature, would find himself in an extremely difficult position when debates on Government's financial policy took place in this House. I need not elaborate the point. However undesirable it may be to exclude this body of individuals, I think Honourable Members must recognise that there are very serious objections.

Now, Sir, a good deal has been made of the position in the case of the Central Banks in other countries. I should not myself have raised the point, because I think we are intelligent enough to devise a plan which suits India for ourselves, and that we need not be bound by precedents of other countries, but, as the point has been raised, and as I have been particularly challenged by my friend, Mr. Neogy, I have,—and I must confess it is the first time that I have done it,—I have, in the course of this debate, been looking through the Statutes of other countries, and have selected one or two examples that I have had time to find during the last few minutes when I have also been trying to listen to the Honourable Members' speeches. There is, first of all, the case of Austria where Members of the National Assembly, of the Federal Assembly or Provincial Diets are disqualified from being Directors. That, I think, answers both the points of my friend, Mr. Neogy, because the provincial Diets must be regarded as equivalent to Local Governments. Then, there is the case of Bulgaria,

where similar disqualifications apply. There is the case of Esthonia, where Members of the Parliament are excluded. My friend, Mr. Amar Nath Dutt, has already referred to the restrictions in Germany. There is the case of Roumania, where Directors may not be Members of the Legislative Assembly. There is, again, the case of that Statute which was held out as a model before us yesterday,—I mean the South African Statute, where no person may remain a Director if he is a Member of either House of Parliament or of a Provincial Council—again hitting both Mr. Neogy's points. Then there is the case of Switzerland where Members of the Federal Assembly and the Canton Governments are ineligible for Directorship, and, lastly, I would quote the case of the United States of America where no Senator or representative of the Congress may be a member of the Federal Reserve Board. Sir, I think that shows that this principle has been very widely accepted in countries of all sizes spread all over the world.

Dr. Ziauddin Ahmad: May I ask the Honourable Member to tell us from what book he is quoting? Can he give me the reference to the Statutes and Articles?

The Honourable Sir George Schuster: I am quoting from the book which most Honourable Members have had in their hands all through this debate, Sir Cecil Kisch's book on Central Banking. I will give my Honourable friend the pages if he would like to have them.

Dr. Ziauddin Ahmad: I want references to the Acts of the Banks he cited. I want the section of the South African Act so that I may read it.

The Honourable Sir George Schuster: Section No. 9, at page 406 of this book. That, Sir, provides sufficient authority, if we seek to find authority in outside precedents for what we are now proposing. We regard it as a vital principle in this measure, and, as I have already said, I must oppose the amendment of my Honourable friend.

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) resumed the Chair.]

Mr. Lalchand Navalrai: I want to speak on this motion.

Mr. President (The Honourable Sir Shanmukham Chetty): The debate has been closed.

Mr. Lalchand Navalrai: I rise to a point of order. I got up and also said that I wanted to speak, and, without giving me an opportunity to speak, the Finance Member was called upon to reply. The question now arises whether the debate can be said to have been closed.

Mr. President (The Honourable Sir Shanmukham Chetty): That is not a point of order. As it was explained the other day, the Chair can at any stage ask the Government Member to reply and close the debate. Evidently it has been done. There is no point of order.

Mr. S. O. Mitra (Chittagong and Rajshahi Divisions: Non-Muhamadan Rural): At least we can claim that the Chair should say that there

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has been sufficient debate. But without looking on this side, to unceremoniously call on the Government Member to reply is not desirable;—we should at least be told that sufficient discussion has taken place. Then we should have no objection.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair does not know whether Honourable Members have ever felt that at any stage of a debate the debate has been unceremoniously closed on the initiative of the Chair.

Some Honourable Members: No, no.

Mr. S. C. Mitra: I did not say so.

Mr. President (The Honourable Sir Shanmukham Chetty): In this case, a number of Honourable Members have taken part in the debate and the Finance Member was called upon to reply to the debate. It must be made perfectly clear that while the Chair would never, on its own responsibility, curtail discussion, no Honourable Member can say that every Honourable Member who wants to speak should be called upon on every amendment.

Some Honourable Members: No.

Mr. Lalchand Navalrai: That is not what I meant.

Mr. President (The Honourable Sir Shanmukham Chetty): Then it is not understood what the point of order of the Honourable Member is.

Mr. Lalchand Navalrai: The point of order is this. We do not say that on every amendment every Member should speak; that would be impossible. But when a Member gets up and the Chair thinks that sufficient debate has taken place and calls upon the Government Member to reply, at least we must know that it is the view of the Chair.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair can assure the Honourable Member that no such difficulty would arise.

Mr. Amar Nath Dutt: Is there anything like a right of reply when an amendment is moved? After the Government Member replies, cannot other Members speak? Is there any such rule?

Mr. President (The Honourable Sir Shanmukham Chetty): Usually the practice that we follow is this. We generally allow the Member representing the Government to come at the end. On an amendment he has no right of reply, but, sometimes, for the sake of convenience of the House, the Chair allows the Finance Member to intervene just to make a statement in the midst of a debate so as to facilitate discussion. Otherwise he would have no right of reply.

The question is:

“That sub-clause (4) of clause 11 of the Bill be omitted.”

The Assembly divided:

AYES—35.

Abdul Matin Chaudhury, Mr.
Bagla, Lala Rameshwar Prasad.
Bhuput Sing, Mr.
Das, Mr. B.
Dutt, Mr. Amar Nath.
Fazal Haq Piracha, Khan Sahib
Shaikh.
Ismail Ali Khan, Kunwar Hajee.
Jadhav, Mr. B. V.
Joshi, Mr. N. M.
Krishnamachariar, Raja Bahadur G.
Lalchand Navarai, Mr.
Liladhar Chaudhury, Seth.
Mahapatra, Mr. Sitakanta.
Mitra, Mr. S. C.
Muazzam Sahib Bahadur, Mr.
Muhammad.
Mujumdar, Sardar G. N.
Neogy, Mr. K. C.

Pandit, Rao Bahadur S. B.
Parma Nand, Bhai.
Phookun, Mr. T. R.
Raghubir Singh, Rai Bahadur
Kunwar.
Rajah, Rao Bahadur M. C.
Reddi, Mr. P. G.
Reddi, Mr. T. N. Ramakrishna.
Sarma, Mr. R. S.
Sen, Mr. S. C.
Shafee Daoodi, Maulvi Muhammad.
Singh, Kumar Gupteshwar Prasad.
Singh, Mr. Gaya Prasad.
Sitaramaraju, Mr. B.
Sohan Singh, Sirdar.
Thampan, Mr. K. P.
Uppi Saheb Bahadur, Mr.
Wilayatullah, Khan Bahadur H. M.
Ziauddin Ahmad, Dr.

NOES—47.

Abdul Aziz, Khan Bahadur Mian.
Ahmad Nawaz Khan, Major Nawab.
Anklesaria, Mr. N. N.
Ayangar, Mr. V. K. A. Aravamudha.
Bajpai, Mr. G. S.
Blore, The Honourable Sir Joseph.
Bower, Mr. E. H. M.
Chatarji, Mr. J. M.
Clow, Mr. A. G.
Cox, Mr. A. R.
Dalal, Dr. R. D.
Dash, Mr. A. J.
DeSouza, Dr. F. X.
Dillon, Mr. W.
Graham, Sir Lancelot.
Grantham, Mr. S. G.
Haig, The Honourable Sir Harry.
Hezlett, Mr. J.
Hudson, Sir Leslie.
Ishwarsingji, Nawab Naharsingji
James, Mr. F. E.
Jawahar Singh, Sardar Bahadur
Sardar.
Lee, Mr. D. J. N.
Mackenzie, Mr. R. T. H.

Macmillan, Mr. A. M.
Metcalfe, Mr. H. A. F.
Millar, Mr. E. S.
Milligan, Mr. J. A.
Mitter, The Honourable Sir Brojendra.
Morgan, Mr. G.
Mukherjee, Rai Bahadur S. C.
Noyce, The Honourable Sir Frank.
O'Sullivan, Mr. D. N.
Rafiuddin Ahmad, Khan Bahadur.
Maulvi.
Raisman, Mr. A.
Ramakrishna, Mr. V.
Rau, Mr. P. R.
Schuster, The Honourable Sir George.
Scott, Mr. J. Ramsay.
Sher Muhammad Khan Gakhar,
Captain.
Singh, Mr. Pradumna Prashad.
Sinha, Rai Bahadur Madan Mohan.
Smith, Mr. R.
Studd, Mr. E.
Tottenham, Mr. G. R. F.
Trivedi, Mr. C. M.
Yamin Khan, Mr. Muhammad.

The motion was negatived.

Mr. President: The question is:

"That clause 11, as amended, stand part of the Bill."

The motion was adopted.

Clause 11, as amended, was added to the Bill.

Mr. President (The Honourable Sir Sharmakham Chetty): The question is:

"That clause 12 stand part of the Bill."

Diwan Bahadur A. Ramaswami Mudaliar: I move:

"That in the proviso to sub-clause (4) of clause 12 of the Bill, after the words 'resulting vacancy' the words 'if any' be inserted."

This is a very simple amendment. There may not be a resulting vacancy when a Director resigns his seat from the Central Board. He may continue to be a member of the Local Board and he need not necessarily vacate his position on the Local Board. The Directors are elected for a period of five years and it is possible that a gentleman, who has been elected a Director may come back to the Local Board resigning his office as Director. It is also possible that there may be an arrangement among the members by the members of a Local Board that one person may be a Director for two years and another person may be a Director for the next two years. In that case also, the member who was elected as the Director may resign after the two years and come back to the Local Board. Therefore, I merely want the words "if any" to be inserted after the words "resulting vacancy" there.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in the proviso to sub-clause (4) of clause 12 of the Bill, after the words 'resulting vacancy' the words 'if any' be inserted."

The Honourable Sir George Schuster: I think I should always be disposed to accept the addition of the words, "if any". I have no objection.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in the proviso to sub-clause (4) of clause 12 of the Bill, after the words 'resulting vacancy' the words 'if any' be inserted."

The motion was adopted.

Clause 12, as amended, was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 13 stand part of the Bill."

Mr. Sitakanta Mahapatra: Sir, I beg to move:

"That for sub-clause (3) of clause 13 of the Bill, the following be substituted:

"(3) The Governor General in Council shall appoint a President from among the Directors elected or nominated under clauses (b) and (c) of sub-section (7) of section 8 who shall usually preside at meetings of the Central Board and in his absence the senior Chairman present from a panel of three appointed by the Governor General in Council from among the above Directors shall preside and in the event of an equality of votes the President shall have a second or casting vote."

My object in moving this amendment is obvious. The Governor of the Reserve Bank will, as we have known by this time, be a super-man. In India, he will be second probably to H. E. the Viceroy outwardly, but inwardly he will dictate to the Viceroy even. The Right Honourable Montagu Norman is not less powerful than the British Chancellor of the Exchequer. The Governor of the Reserve Bank will be the Chief Executive Officer of the Bank. I do not want to make him the President of the Central Board as well, thus investing him with super-natural powers. The provisions of this Bill are in many respects taken from the Imperial Bank of India. But, even in that Bank, the Managing Governor is not the President. But, as in that Bank, I say this, subject to correction, Directors

are sometimes not present besides the Governors and the Secretary, the Managing Governor has to preside. In other Central Banks of the world, the Governor is debarred by Statute from presiding over meetings. I am giving some illustrations. I have taken these illustrations from the book that the Honourable the Finance Member just used. Commonwealth Bank of Australia—The Chairman shall be chosen by a Board from its own members. The Austrian National Bank—Chairman is appointed by the Federal President. The Central Bank of Chile—President is elected, General Manager separate. Bank of Italy—Board elects its own officers. Sir, just now it has been decided that a censure motion can be moved against the Governor. Supposing the Governor as President rules out such censure motions, what can be done? I do not take away the powers of the Governor General in appointing the President of the Central Board. On the other hand, I suggest that he should be endowed with much greater powers. Sir, the Governor of the Reserve Bank can well challenge the powers of the Governor General at times if he so desires, in the financial regions of India. Should not the Governor General have some more indirect powers in his hands over the Governor of the Reserve Bank? Sir, the financial destinies of India will be handed over to the Reserve Bank. Is it not fair that the Governor's powers should not be un-limited? Sir, the best men in the country will certainly be connected with politics. In the new Constitution, several thousand persons, the brightest persons in India, as being Members of the Legislatures, will be excluded from the Bank. The Central Legislatures alone will exclude over 600 of the best men. Then, there will be two Houses in most of the provinces. If I calculate correctly, only third-rate persons will be found to seek election to a Local or the Central Board. (Mr. Amar Nath Dutt: "Why 'third-rate', fifth-rate".) Is it not fair that the Governor should have less power than is intended by this Bill to give him. So that the third-rate Directors may not be swayed? Then, the Governor will be a whole-time paid servant of the Bank. Is it then desirable that he should also be the President of the Board of Directors? Sir, I move my amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That for sub clause (3) of clause 13 of the Bill, the following be substituted :

'(3) The Governor General in Council shall appoint a President from among the Directors elected or nominated under clauses (b) and (c) of sub-section (1) of section 8 who shall usually preside at meetings of the Central Board and in his absence the senior Chairman present from a panel of three appointed by the Governor General in Council from among the above Directors shall preside and in the event of an equality of votes the President shall have a second or casting vote.'

Mr. B. V. Jadhav: Sir, the Bank is to be a Shareholders Bank and it is also accepted that the Governor of the Bank is to be nominated or appointed by the Governor General in Council. So far we have accepted this position. But now the present arrangement is that the Governor of the Bank should also be the President of the Board of Directors. I must admit that the Governor of the Bank of England presides at the Board of Directors' meetings, but there he is quite an independent man and he is appointed by the Board of Directors themselves. His is the position of the president of a meeting being elected by the members of the meeting or the president or chairman of a managing committee being elected by the other members of the managing committee. So, that parallel ought not to apply to this case. As has been pointed out by my friend, the Mover of this amendment,

[Mr. B. V. Jadhav.]

in the case of the Imperial Bank also the Government have allowed that the Board of Directors should have their own Chairman, a different man from the Managing Governor. The Governor is a paid servant and, as such, he ought to be a servant of the Board and he ought to be amenable to the decisions of the Board. Under the present Bill, as drafted, the Governor of the Bank is made the President of the Bank and perhaps in that capacity he will over-shadow the other members of the Board. In the Calcutta Corporation, when the whole administration was in the hands of Government, the President was a nominee of the Government and a paid servant, but then it was rather in the olden days when democracy had not advanced to a great extent. Now, that has been changed and the President of the Corporation is a different man, elected by the Corporation themselves. So, in this case also, this servant of the Bank, the Governor of the Bank, ought not to preside over the Board of Directors and, therefore, the amendment seeks to enact that another person should be nominated by the Governor General in Council as the President. Sir, I support the amendment.

The Honourable Sir George Schuster: Sir, I must oppose this amendment. It is, of course, possible to quote precedents for almost every sort of arrangement from the Statutes relating to the existing Central Banks in other countries, but this idea that the Governor should preside over the Board of Directors is one which is fairly generally accepted, and there are many important examples of it. I could quote, for instance, the Bank of France as being one where the Governor is not elected by the shareholders themselves. That is a sufficient answer to what my Honourable friend, Mr. Jadhav, has said. This has always been a part of our proposals and I have heard nothing to alter my view that this is a suitable arrangement, and that it is a suitable way of confirming the position of the Governor. On these grounds, I oppose the amendment.

Mr. President (The Honourable Sir Shammukham Chetty): The question is:

"That for sub-clause (3) of clause 13 of the Bill, the following be substituted :

"(3) The Governor General in Council shall appoint a President from among the Directors elected or nominated under clauses (b) and (c) of subsection (7) of section 8 who shall usually preside at meetings of the Central Board and in his absence the senior Chairman present from a panel of three appointed by the Governor General in Council from among the above Directors shall preside and in the event of an equality of votes the President shall have a second or casting vote."

The motion was negatived.

Mr. President (The Honourable Sir Shammukham Chetty): The question is:

"That clause 13 stand part of the Bill."

The motion was adopted.

Clause 13 was added to the Bill.

Mr. President (The Honourable Sir Shammukham Chetty): The question is:

"That clause 14 stand part of the Bill."

Dr. Ziauddin Ahmad: Sir, I move:

"That in sub-clause (f) of clause 14 of the Bill, after the words 'at any other time' the words 'or place' be added."

This is only a verbal amendment and it improves the object of the clause. The sub-clause says:

"A general meeting (hereinafter in this Act referred to as the Annual General Meeting) shall be held annually at a place where there is an office of the Bank within six weeks from the date on which the annual accounts of the Bank are closed, and a General Meeting may be convened by the Central Board at any other time."

Now, if we put in a "place" also, that will improve the meaning and I think it will give a much-desired latitude, because it will not tie down, not only as regards time, but as regards places.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (f) of clause 14 of the Bill, after the words 'at any other time' the words 'or place' be added."

The Honourable Sir George Schuster: Sir, I really have not been able to appreciate the point of my Honourable friend's amendment, but I must oppose it. The idea is that General Meetings should be held at places where there is an office of the Bank, and I see no reason for allowing greater latitude.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (f) of clause 14 of the Bill, after the words 'at any other time' the words 'or place' be added."

The motion was negatived.

Dr. Ziauddin Ahmad: Sir, I rise to move:

"That in sub-clause (f) of clause 14 of the Bill, after the words 'Central Board' the words 'at its own discretion or on the receipt of a requisition in writing signed by not less than 25 shareholders holding 500 shares' be inserted."

Sir, the provision which I am proposing is found in very many Banks. I daresay that the Honourable gentleman may be able to quote half a dozen Banks where it is not to be found, but I can quote any number of Banks where it is to be found. It is but fair that, if the shareholders are not satisfied with the action and the policy of the Directors, they should have an opportunity to express their opinion, and the only opportunity that they can have of expressing their opinion is to convene a meeting at the requisition in writing of so many members representing 500 votes. This is a kind of thing which I hope Government should not find any difficulty in acceding. The principle of this amendment, as I said, is that the shareholders should have a right by requisition to convene a General Meeting of the shareholders and thus be able to express their opinion.

Sir, I move.

Mr. President (The Honourable Sir Shammukham Chetty): Amendment moved:

"That in sub-clause (1) of clause 14 of the Bill, after the words 'Central Board' the words 'at its own discretion or on the receipt of a requisition in writing signed by not less than 25 shareholders holding 500 shares' be inserted."

Mr. S. C. Sen: Sir, I support this motion. This is one of the ordinary clauses which is to be found in all companies. Not only that, there is a Statutory provision in the Companies Act which was not in the previous Act of 1882, but was inserted in the Act of 1913. The provision says that ten per cent. of the shareholders can call upon the Directors to call a General Meeting of the company for a specified purpose to be specifically mentioned in the notice. I think I am right in saying that such a clause is also to be found in the Imperial Bank Act. Under these circumstances, I do not see any reason why it should not find a place here, especially when the meeting of the general body of the shareholders can only advise the Directors and not in any way interfere or affect their powers. I support the motion.

Mr. S. C. Mitra: Sir, I support the principle of this amendment, though, I think, the wording is not happy. The number of shareholders, who can requisition for a meeting, is too small and, if Government accept the principle, they can by arrangement change the wording making it ten per cent. or 15 per cent. of the total number of shareholders. The principle, as Mr. Sen has put it, is a general principle which has been accepted by the companies in general and I hope Government will be able to see their way in accepting it in an altered form.

The Honourable Sir George Schuster: I must oppose this amendment. In the first place, the idea that 25 shareholders holding 500 shares should be able at any time to force a General Meeting to be held is, I submit, on the face of it, absurd. It would be possible at any time for a small group to get together and to requisition a meeting just for the purpose of harassing the Board. Now, Sir, I think it is a great mistake to expect the practice which may be followed in regard to private companies to be incorporated in the provisions dealing with a Central Bank of this kind. We have already discussed very fully what the functions of the shareholders are in this Bank. They are not persons who are interested in the financial management of the Bank in the sense that the shareholders of an ordinary company are. They are not people who depend on the way in which the Bank is worked in any detail as regards the amount of dividend that they receive. Their primary function is, as we have always made clear, the election of the Directors, and the question of policy and whether the Bank is conducting its policy properly is really more a question for the general public than for the shareholders. We fear that if there was a provision of this kind, it might, as I have already said, be used by a group of shareholders merely for the purpose of harassing the Board. This particular proposal, in any case, is quite impossible and I think it is very unlikely that we on this side would support any proposal allowing a group of shareholders to ask for a meeting at any time. I must, therefore, oppose this amendment.

Dr. Ziauddin Ahmad: May I ask the Honourable Member, how will the public be able to express their opinion if they are dissatisfied? The Honourable Member said that it was for the general public to criticise, but, may I know, in what manner they should express their opinion if they are dissatisfied?

The Honourable Sir George Schuster: There are many other occasions when the policy of the Bank can be discussed. It will be possible that it should be discussed in the Legislature, for one thing.

Mr. President (The Honourable Sir Shammukham Chetty): The question is:

"That in sub-clause (f) of clause 14 of the Bill, after the words 'Central Board' the words 'at its own discretion or on the receipt of a requisition in writing signed by not less than 25 shareholders holding 500 shares' be inserted."

The motion was negatived.

The Assembly then adjourned till Eleven of the Clock on Friday, the 15th December, 1933.

LEGISLATIVE ASSEMBLY.

Friday, 15th December, 1933.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

SHORT NOTICE QUESTION AND ANSWER.

HUNGER STRIKE IN THE DEOLI DETENTION CAMP.

***Mr. S. C. Mitra:** (a) Is it a fact that there was recently a hunger strike in the Deoli Detention Camp? If so, will Government be pleased to state when the hunger strike began?

(b) Will Government be pleased to state the number of persons involved in the said hunger strike?

(c) Will Government be pleased to state the reasons for which the strike was resorted to by the inmates of the Deoli Camp?

(d) Will Government be pleased to state whether any forced feeding was resorted to? If so, in how many cases was such feeding forced?

(e) Are any of the persons, who were subjected to the forced feeding, ill at present? If so, how many, and what are the illnesses from which they are suffering at present?

(f) Is the hunger strike still continuing? If so, what steps have Government taken to remedy the grievances for which hunger strike was resorted to?

(g) Did the men of the camp complain about their grievances before resorting to the hunger strike? If so, to whom, and what action was taken by Government to redress those grievances? If no action was taken, why not?

The Honourable Sir Harry Haig: (a) and (b). Two detenues went on hunger-strike on November 30. 16 others joined them on December 12th.

(c) and (g). The reasons for the strike were given in the following words by the two detenues who began the strike:

"We fail to realise why you (that is the Superintendent) should transfer us to other camps without allowing us food by our bedsides in our own camp No. 5. We may accept food if all 14 of us are re-instated to our camp and food supplied in our barracks in camp No. 5."

In explanation of that statement I should add that on November 29, 12 detenues informed the Superintendent that they would go on hunger-strike as a protest against his action in refusing to allow them to have meals in their own rooms instead of in the common dining-room. The

Superintendent thereupon transferred these 12 detenues, and also two others, from camp 5 to other camps.

(d) The answer is in the negative.

(e) So far as I am aware, none of the detenues who went on hunger-strike is suffering from illness though the two, who originally went on strike, are in a weak condition.

(f) The detenues abandoned the hunger-strike unconditionally on December 13.

OBSERVANCE OF HOLIDAYS BY THE LEGISLATIVE ASSEMBLY.

Mr. President (The Honourable Sir Shanmukham Chetty): Order, order. The House will remember that on the first December the Chair undertook to make an announcement regarding the principle which will be followed in the observance of holidays in the Legislative Assembly. The Chair has since considered the question and it has been decided that in future only such holidays shall be observed in the Assembly as have been notified by the Local Government in whose area the Session of the Assembly is held for the time being.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): May I just say a word. The question of giving a holiday is really an exclusive privilege of the President who can adjourn the meeting to any time he likes. That is not really the concern of the Assembly at all. You can hold a Session on any holiday or even on a Sunday, that is not the concern of Honourable Members. We can only make a request regarding holidays and it is for you to decide in any way you please. It is no concern of ours at all.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair really does not understand what exactly is the idea underlying the observations of the Honourable Member. The reason why the Chair made this announcement is this. The Chair has had, once during the last Delhi Session and once during the present Session, requests from certain Honourable Members that they would be unable to attend a Session on a particular day, because of a particular festival and the Chair also found that those days were not gazetted as holidays. That places the Chair in a very difficult position and, therefore, the Chair must be guided by certain rules governing the conduct of public service in the country regarding holidays and this announcement has been made so that Honourable Members might understand what principles the Chair proposes to keep in mind in the observance of holidays for the Legislative Assembly in future.

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): May we take it that you still reserve the right of discretion in particular cases, because it so happens that, though the Assembly may meet in Delhi and Simla, yet there are local holidays which are very important to particular Members coming from a particular province. I am just thinking about Bengalees. The *Mahalaya* is a very important religious observance for the Hindus of Bengal. But here in Delhi or Simla, it is not important. In the past, we made representations to the Honourable the President and, in particular cases, he used his discretion.

As my Honourable friend, Dr. Ziauddin Ahmad, put it, we will make our representations to you and we hope that, in spite of the fact that the local area have not declared a certain day to be a holiday, you will use your discretion in particular cases to make an exception if you think it necessary.

Dr. Ziauddin Ahmad: May I just explain? It is quite possible that in Delhi there may be a holiday on account of some match in which we, the Members of the Assembly, are not interested and it is quite possible that the work might be very heavy about that time. The question of giving a holiday is exclusively the privilege of the President. We can only make representations and it is for you to decide. It is no concern of ours and the Honourable the President need not ask our opinion in this matter.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair has not asked the Honourable Member's opinion. It has only made an announcement.

THE RESERVE BANK OF INDIA BILL.

Mr. President (The Honourable Sir Shanmukham Chetty): The House will now resume consideration of the Reserve Bank Bill, clause 14.

The next amendment is No. 16 in the Supplementary List in the name of Mr. S. C. Sen.

Mr. S. C. Sen (Bengal National Chamber of Commerce: Indian Commerce): Sir, I beg to move:

"That after sub-clause (1) of clause 14 of the Bill, the following new sub-clause be inserted:

"(1-a) The shareholders present at a general meeting shall be entitled to discuss the annual accounts, the report of the Central Board on the working of the Bank throughout the year and the Auditors' report on the annual balance sheet and accounts'."

Sir, it may be remembered that when an amendment was moved by my Honourable friend, Mr. Mitra, regarding the power of the shareholders at a General Meeting to give directions to the Central Board regarding the management, the point was raised that unlike other companies, constituted under the Indian Companies Act, this Bill did not contain any provision regarding what was to be done in a particular General Meeting of the company and it was suggested by Sir Cowasji Jehangir that if an amendment of this nature was moved, namely, as to what would be the duty of a General Meeting of shareholders, then the Government should consider it. Thereafter, negotiations ensued between the Government Benches and the Opposition and the result of that is the present amendment which I am moving.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That after sub-clause (1) of clause 14 of the Bill, the following new sub-clause be inserted:

"(1-a) The shareholders present at a general meeting shall be entitled to discuss the annual accounts, the report of the Central Board on the working of the Bank throughout the year and the Auditors' report on the annual balance-sheet and accounts'."

The Honourable Sir George Schuster (Finance Member): I might perhaps shorten the time of the House if I were to say at this stage that we are perfectly prepared to accept this amendment. (Hear, hear.)

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That after sub-clause (1) of clause 14 of the Bill, the following new sub-clause be inserted:

'(1-a) The shareholders present at a general meeting shall be entitled to discuss the annual accounts, the report of the Central Board on the working of the Bank throughout the year and the Auditors' report on the annual balance-sheet and accounts'."

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, on a point of order, I should like to know what would happen to No. 17 if this is accepted.

Mr. President (The Honourable Sir Shanmukham Chetty): Order, order. The Honourable Member must know that the Chair can give a ruling whether or not No. 17 is in order only when that is actually reached and not when No. 16 is put to the vote.

The question is:

"That after sub-clause (1) of clause 14 of the Bill, the following new sub-clause be inserted:

'(1-a) The shareholders present at a general meeting shall be entitled to discuss the annual accounts, the report of the Central Board on the working of the Bank throughout the year and the Auditors' report on the annual balance-sheet and accounts'."

The motion was adopted.

Dr. Ziauddin Ahmad: Sir, I beg to move:

"That for sub-clause (2) of clause 14 of the Bill, the following be substituted:

'(2) Every shareholder shall be entitled to attend at any general meeting and each shareholder who has been registered on any register, for a period of not less than three months ending with the date of the meeting, as holding five shares shall have one vote and on poll being demanded each shareholder so registered as having more than five shares shall have one vote for each five shares, but subject to a maximum of ten votes and such votes may be exercised by proxy appointed on each occasion for that purpose, such proxy being himself a shareholder entitled to vote at the election and not being an officer or employee of the Bank'."

Sir, this amendment is in keeping with the practice in many other companies. Whenever a meeting of the shareholders is held, they are first asked to express their opinion by show of hands; and whenever a poll is demanded, votes are recorded according to the strength which a voter is entitled to by virtue of other clauses of the Act, and at that time the proxies are not counted. No such provision is made in the original clause and this clause is really more comprehensive than the one which is now already in the Bill. This is really the form in which votes are taken in every company and I hope the Honourable the Finance Member will have no difficulty in accepting it. The difference is only this that, whenever there is a discussion, the President always asks for an expression of opinion which is given by show of hands and, if at any time opinions are divided and a poll is demanded, it is taken in the manner I have just described, that is, a person entitled will record one vote and a person keeping a proxy will also deposit the proxies, but only

on the occasion when the poll is demanded. So it is well to clarify the position and it is in accordance with the practice now in vogue in many companies. I hope the Finance Member will have no difficulty in accepting this amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That for sub-clause (2) of clause 14 of the Bill, the following be substituted:

'(2) Every shareholder shall be entitled to attend at any general meeting and each shareholder who has been registered on any register, for a period of not less than three months ending with the date of the meeting, as holding five shares shall have one vote and on poll being demanded each shareholder so registered as having more than five shares shall have one vote for each five shares, but subject to a maximum of ten votes and such votes may be exercised by proxy appointed on each occasion for that purpose, such proxy being himself a shareholder entitled to vote at the election and not being an officer or employee of the Bank.'

The Honourable Sir George Schuster: Sir, my Honourable friend has made two changes of substance in this amendment. In the first place, he has changed six months to three months and, in the second place, he has added in this case a provision which was already adopted as regards Local Boards that a proxy must be a shareholder and not an officer or employee of the Bank. As regards the procedure embodied in this amendment, we have no objection to that at all; in fact we thought that that would be the procedure which would be laid down by regulations. As regards three months, instead of six months, we do object to that. As regards the question of who is to exercise proxies, we have no objection. If my Honourable friend would alter the "three months" to "six months", we will be glad to accept this amendment.

Dr. Ziauddin Ahmad: Sir, if you permit me,—and it is only a small change and in keeping with other provisions,—I will change "three" into "six" if the Honourable Member accepts that.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That for sub-clause (2) of clause 14 of the Bill, the following be substituted:

'(2) Every shareholder shall be entitled to attend at any general meeting and each shareholder who has been registered on any register, for a period of not less than six months ending with the date of the meeting, as holding five shares shall have one vote and on poll being demanded each shareholder so registered as having more than five shares shall have one vote for each five shares but subject to a maximum of ten votes and such votes may be exercised by proxy appointed on each occasion for that purpose, such proxy being himself a shareholder entitled to vote at the election and not being an officer or employee of the Bank.'

The motion was adopted

Mr. K. P. Thampan (West Coast and Nilgiris: Non-Muhammadan Rural): Sir, I beg to move:

"That in sub-clause (2) of clause 14 of the Bill, the words 'as holding five shares' and the words 'and each shareholder so registered as having more than five shares' shall have one vote for each five shares, but subject to a maximum of ten votes' be omitted."

Sir, clause 14 is a comprehensive one and deals with all the rights of the shareholders. At the General Meeting, they have got to discuss the

[Mr. K. P. Thampan.]

annual report, the auditors' report and approve of the rate of dividend which is recommended by the Directors. All these are valuable rights and, it is with reference to these rights, that the shareholders are expected to use their best discretion. Though the House turned down my proposal for restricting similarly the number of votes of a shareholder at an election of the members to the Local Board under clause 9, this ought to be accepted. I will only read.....

The Honourable Sir George Schuster: On a point of order, Sir. The House has just accepted an amendment which is surely inconsistent with my Honourable friend's present proposal. Quite apart from the fact that the question of "one man one vote" has already been discussed under clause 9. I do submit that, as the House has just accepted an amendment which is contradictory to my Honourable friend's amendment, the House cannot discuss that same question again.

Mr. K. P. Thampan: This will be a kind of amendment to the clause that the House has just adopted.

Mr. President (The Honourable Sir Shammukham Chetty): The House has given a definite verdict on the amendment of Dr. Ziauddin which has been passed and adopted, which gives one vote for every five shares, subject to a maximum of ten

Mr. K. P. Thampan: Then a good many amendments will have to go.

Mr. President (The Honourable Sir Shammukham Chetty): Yes: the chair cannot help it

An Honourable Member: This is rather unfortunate: we did not see the implications of it.

Mr. President (The Honourable Sir Shammukham Chetty): The same will apply to Mr. Navabai's amendment, because Dr. Ziauddin's amendment has been adopted by the House, under which proxies have to be accepted for a General Meeting.

Mr. B. Das (Orissa Division. Non-Muhammadan). The learned Doctor has cleared the stable!

Mr. N. M. Joshi (Nominated Non-Official): On a point of order, Sir, may I ask whether it is not open to the House to move an amendment to the amended clause?

Mr. President (The Honourable Sir Shammukham Chetty): The Chair does not understand what exactly Mr. Joshi's procedure is.

Mr. N. M. Joshi: The point is this: I quite agree that when my Honourable friend, Dr. Ziauddin Ahmad, moved his amendment, the other amendments should have been moved as an amendment to that amendment before it was carried; but as the House did not realise what the effect would be, I think it is still open—there is nothing in the rules to prevent that course being followed.

Mr. President (The Honourable Sir Shanmukham Chetty): The question under consideration now is that clause 14 stand part of the Bill, to which amendments are being moved: does the Honourable Member suggest that, on the question that clause 14, as amended, do stand part of the Bill, there is again a right of amendment?

Mr. N. M. Joshi: There is nothing in the procedure to prevent it.

Mr. President (The Honourable Sir Shanmukham Chetty): No; the Honourable Member cannot do it.

The question is.

"That clause 14, as amended, stand part of the Bill."

The motion was adopted.

Clause 14, as amended, was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 15 stand part of the Bill."

No. 159, in the name of Dr Ziauddin Ahmad, is already barred.....

Dr. Ziauddin Ahmad: May I just point out that this concerns the nomination of the first Directors and this is very different from the case of the election, because, in the case of the election, you have put certain restrictions on shareholders which may or may not be achievable: in this case the nominations are to be made by the Governor General and, therefore, my amendment is in order.

The Honourable Sir George Schuster: I hope my Honourable friend will not take that very technical point. I submit the House has really decided in principle on this question and I feel that no useful purpose will be served by continuing this discussion.

Dr. Ziauddin Ahmad: I know that no useful purpose will be served by a division, but at the same time this is a question for which the Government are directly responsible in nominating the Directors. I have already pointed out the difference between the nomination by Government in this particular case and the election by shareholders in the previous case: and though we said we ought not to put down any restriction on shareholders, we have a right to put down any restrictions we like on the nominations by the Government in the case of the first Directors.

The Honourable Sir George Schuster: I would remind my Honourable friend that I have given a certain assurance on this point and I make it quite clear that we can go no further. I do suggest to my Honourable friend that no useful purpose will be served by moving this amendment.

Dr. Ziauddin Ahmad: If the Honourable gentleman gives an assurance that this thing will be followed, then I need not move it; but I said on the previous occasion that these assurances did not have the force of law, and, therefore, though he might perhaps accept it, since the appointments

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are to be made by the Governor General in Council, his colleagues might or might not accept his suggestion and, therefore, he has not the final say

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member might move it, if he wants to.

Dr. Ziauddin Ahmad: Sir, I beg to move:

"That to sub-clause (1) of clause 15 of the Bill, the following proviso be added :

'Provided not less than 75 per cent. of the voting Directors shall be Indians both on the Central Board and on the Local Boards'."

The reason for my moving it is that it has now been definitely settled that a Director once appointed will hold the position for life, unless removed by an Act of God. This is really the principle, and I, therefore, want that if 75 per cent. are to be Indians, this may be observed from the very outset. The Honourable gentleman has given an assurance that, in the first nomination, this principle, as far as he is concerned, will be followed; but we would like to press

The Honourable Sir George Schuster: Not exactly in those terms: my Honourable friend is aware of the assurances I gave.

Dr. Ziauddin Ahmad: I am not myself a lawyer and I do not like to have this thing; but I do think that when the Government do not want to do a thing, they always provide some loophole or some window by means of which they can get out of it if they want to do so. This is a thing on which we on this side are really very keen, that, even in the case of the first nomination, the Government ought to realise that at least the non-official opinion in this House and the opinion in the country outside is that at least 75 per cent of the seats should be reserved for Indians when the first nominations are made, and I hope that the Government will respect the opinion of this House, though we may not adopt it as an amendment or put it in as a Statutory provision. So I would like that other Members also should express their opinions on this question as I feel very strongly on this point. I beg to move my amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That to sub-clause (1) of clause 15 of the Bill, the following proviso be added :

'Provided not less than 75 per cent. of the voting Directors shall be Indians both on the Central Board and on the Local Boards'."

There is a similar amendment, No. 164, of Mr. Navalrai: it is in a slightly different form, but raises the same issue.

Mr. Lalchand Navalrai (Sind: Non-Muhammadan Rural): Sir, I will support this instead of moving my amendment. I strongly support this amendment. We want to make it clear to the House that this is the opinion on the national side that national interests ought to be very well protected. I agree with the Honourable the Mover that the Government are at present leaving certain loopholes. Those loopholes ought to be

closed as we know that, if any are left open, then it becomes more or less the whim of the Government whether to fill them up or not. When they make certain promises or give certain assurances, they are always open to interpretations and misinterpretations: therefore, I submit that it is necessary that a provision of this nature should be inserted definitely in the Bill itself. I cannot understand for a moment why, if the Government have a *bona fide* desire to meet the demand of the people, they are not prepared to accept an amendment like this. Why should they say that we should wait and that they will try to meet with our demands hereafter? I think there is absolutely no reason. I cannot find any substantial or tangible ground advanced up to now by the Government. This Bill is going to be passed and the constitution of the Reserve Bank is to be settled now; then why should we wait for anything to be done hereafter? There is nothing in this matter to be further considered or watched. There are certain amendments on which the Honourable the Finance Member is right when he says that he must watch the working of the provisions. When there is some doubt about a certain procedure, that of course can be left for experience to be gained, because, it is only by actual working of certain things that we can know what the good or bad points there will be for improvement; but, in this instance, I do not see any reason or any justification for postponement. We cannot enter into the mentality of the Government which they have at present to find out their motive, and I, therefore, must support this amendment.

Mr. B. V. Jadhav (Bombay Central Division: Non-Muhammadan Rural): Sir, although I support this amendment, I have to submit that the assurance by the Honourable the Finance Member is not on his own behalf, but on behalf of Government and it ought to be relied upon. The feeling in this House is well known to Government side, and this is once more emphasised in the shape of this amendment. We do feel that this Reserve Bank should be a national institution, and, therefore, it should be run wholly by nationals. That time has not come yet. All the members of the Board or the members of the staff cannot be Indians in the beginning, but that is the ultimate goal when the whole show will be run by Indians, and that is the goal for which we should all strive. I think the assurance of the Honourable the Finance Member is quite sufficient and should be accepted, and, therefore, I advise that this motion need not be pressed to a division, but Members on this side ought to emphasise this point of view, and, therefore, there should be a good discussion.

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Sir, my friend, Dr. Ziauddin Ahmad, has asked us to express our opinion on this, and that is the special reason why I rise to oppose it, because the interpretation of this amendment will be that at least 25 per cent. of the Directorate should go to Europeans. I am not satisfied, as I have already said, with 75 per cent. reserved for nationals, and I do not want to leave any impression in the minds of Members that 75 per cent. will satisfy Indians. It is a temporary provision for the constitution of the first Board of Directors, and, in a permanent Statute, I think it is not only unnecessary, but it is unreasonable, to put such a provision when we know for certain,—and we have an assurance on it,—that we shall get at least 75 per cent. The Select Committee in its Report said this:

"As regards the general purpose of this sub-clause, the non-official members of the Committee have made it clear that they would not consider anything less than 75 per cent. of the voting Directorate as affording proper representation of Indians.

[Mr. S. C. Mitra.]

We have received an assurance on behalf of the Government from the Government members of the Committee that the Governor General in Council will exercise this power so as to ensure the proper representation of Indians on the first Board."

So, Sir, it is clear that we do not gain anything by inserting such a provision in the permanent Statute of the land, when it is certain that we claim not merely 75 per cent. but much more. Sir, I oppose the amendment.

Rai Bahadur Kunwar Raghubir Singh (Agra Division: Non-Muhammadan Rural): May I ask a question of the Honourable the Mover of this amendment?

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): Sir, there appears to be some misunderstanding in the minds of Honourable Members. My friend, Dr. Ziauddin Ahmad, wants some sort of guarantee about Local Boards. I do not know whether Honourable Members quite realise how these Local Boards are to be elected. Government have nothing to do with the election to the Local Boards or the nomination to these Boards. Five are to be elected and three are to be nominated by the Central Board,—and not by the Government,—and, therefore, with regard to the Local Boards, Government have nothing to do with the question of the formation of these Boards. It is the shareholders and shareholders alone who will have to elect members to these Local Boards, and I presume that there is nobody in this House who desires to lay down conditions as to who should be elected and who should not be elected by the shareholders.

Then, with regard to the Central Board, my friend, Mr. Mitra, has read out the assurance that the Finance Member gave us in the Select Committee with regard to the first appointment. The first appointment of the Central Board is in the hands of the Government and only after that, there will be elections. In those elections, we can lay down no conditions. With regard to the nominations which are to be made to the Central Board, there are recommendations in the Select Committee's Report whereby some provision will be included in the Instrument of Instructions to the Governor General which will guide the Governor General in Council with regard to these nominations, and I will not repeat what is already in the Report about these instructions. Under the circumstances, if I may respectfully point out, there does not seem to be any necessity for the amendment as worded by my friend, Dr. Ziauddin Ahmad, and supported by other Members in this House.

Rai Bahadur Kunwar Raghubir Singh: I wanted to ask my Honourable friend, the Mover, whether the term "Indians" included Anglo-Indians, Domiciled Europeans and Indian Indians, that is to say, Indians from Native States, or it merely means Indians living in British India, and not Anglo-Indians or domiciled Europeans in India? I wanted to ask this question.

Dr. Ziauddin Ahmad: I use the word "Indians" in the sense in which the word is used in law.

The Honourable Sir George Schuster: Sir, I must oppose this amendment for reasons which I have already explained in connection with the other amendments, the objections being to the inclusion of anything of this kind in a Statutory provision. I need not repeat the assurance which I have already given; it is recorded in the Select Committee's Report and has already been referred to by my friend, Mr. Mitra. I would only point out that the Mover and my friend, Mr. Lalechand Navalrai, who have made speeches on this subject, have not improved their own position. If Government really should wish now to get out of this assurance that has been given, they would be able to quote with great effect the speeches made by my two Honourable friends, and, when they were accused of getting out of their assurances, they would be able to reply: "Well, you always said that we were going to do that—authorities like Dr. Ziauddin Ahmad and Mr. Lalechand Navalrai told you that we would and you accepted our assurance on that understanding." Sir, I think it is important that Honourable Members should realise that expressions of distrust of that kind really harm their own cause.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That to sub-clause (1) of clause 15 of the Bill, the following proviso be added:

'Provided not less than 75 per cent. of the voting Directors shall be Indians both on the Central Board and on the Local Boards'."

Dr. Ziauddin Ahmad: Sir, I would like to ask the leave of the House to withdraw my amendment.

The amendment was, by leave of the Assembly, withdrawn.

Mr. President (The Honourable Sir Shanmukham Chetty): Mr. Bhuput Sing, amendment No. 1 in Supplementary List No. II.

Mr. Bhuput Sing (Bihar and Orissa: Landholders): I only want . . .

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member should first move his amendment. There cannot be a discussion, because the principle has been discussed.

Mr. Bhuput Sing: I beg to move:

"That to sub-clause (2) of clause 15 of the Bill, the following proviso be added:

'Provided the first Governor must be a man with banking and financial experience'."

I should like to say only a few words. This proviso applies only to the first appointment of a Governor and does not apply when making subsequent appointments. So I wanted to have an assurance from the Government to this effect.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That to sub-clause (2) of clause 15 of the Bill, the following proviso be added:

'Provided the first Governor must be a man with banking and financial experience'."

Sir Cowasji Jehangir: Sir, I must point out that the amendment that was discussed and rejected by this House did not really refer to the first appointment. This amendment directly refers to the first appointment to be made by Government

Mr. President (The Honourable Sir Shanmukham Chetty): That is why I have allowed him to move it.

Sir Cowasji Jehangir: Sir, there is a considerable distinction between the two. Although the Governor General in Council will make the second appointment and subsequent appointments in consultation with the Central Board, when this appointment is made, there will be no Central Board in existence, and it will be made entirely on the responsibility of the Governor General in Council, and, therefore, any sort of assurance from the opposite Benches with regard to this first appointment would be most welcome. It will then not necessitate the moving of this amendment which only refers to one specific appointment. I trust that the Honourable the Finance Member will be able to give us some assurance that this appointment will at least go to a man who has some banking experience and that he will not come straight out of a Government office.

Mr. S. C. Mitra: Sir, I support this amendment. I remember it was from the United India Party that a similar amendment was moved so far as clause 10 was concerned.

The Honourable Sir George Schuster: May I point out to my Honourable friend that the amendment that was proposed to be moved had the words "banking or financial experience".

Mr. S. C. Mitra: I remember the phrase, "banking or financial experience". But it is no secret to tell the House that Mr. Yamin Khan, the Leader of the Party, assured us that he had no objection to the wording of the present amendment and that he was ready to support it. I hope when he, later on, comes, he is at present absent from the House, he will support us. After all, what we want by this amendment is that at least the first Governor should not only have banking experience—we do not here specify any period, we simply say, a man with banking experience, and, in addition, he should be a man with experience in general finance as well. It is not a large demand considering the huge amount of monthly salary that the Government of India are agreeable to pay to the Governor. My argument becomes stronger, because we are only considering the first Governor. It may be that later on when appointments will be made after consultation with the Central Board, the Central Board may not consider that banking experience would be very essential.—though I doubt it very much personally,—but in later appointments the responsibility will be both on the Central Board and the Governor General. But, as regards the first appointment, however great an individual may be, he is more liable to err than when he is advised by a body of experts. On the first occasion, he will not be assisted in any way by any advice from the Central Board. So we ask that the first Governor, on whom will fall the organisation of this Bank, should be a man who has not only financial experience but banking experience as well, and I hope that there will be no contrary ukase from the Secretary of State that the Government should not accept this very simple amendment.

Mr. B. Das: If I could make a speech in support of the amendment of my Honourable friend Mr. Bhuput Sing, I could quote the whole speech—I have not got the speech which the Finance Member made in support of the motion of my Honourable friend, Mr. Aravamudha Ayangar, opposing the proposition that the Governor should be a man with at least five years' tested banking experience. The whole speech of the Finance Member supports the amendment which my Honourable friend, Mr. Bhuput Sing, has moved today. Unfortunately I overlooked this particular amendment, and when it was read out, I thought: "Hullo, what has happened? How has the Finance Member influenced my Honourable friend, Mr. Bhuput Sing, to bring forward this particular amendment?" Then I began to recollect in my mind the arguments that were advanced by the Finance Member the other day. I find that great experts like Sir Henry Strakosch, Sir Otto Niemeyer and Sir Edward Cook are not banned—I find all of them come under this particular amendment, and it does not rule out any of those great geniuses coming and occupying the Governorship of the Reserve Bank. So, I do not think the Finance Member will raise any objection. He has had the supreme satisfaction to see that a minute of dissent signed by only two people overruled a majority of 26 people in the Select Committee, and also this House has gone with him. Above all, there is something like popular opinion and popular view, and if, as the Finance Member the other day very kindly said, he does appreciate the arguments that are offered by some of us on this side, I hope he would appreciate that there is an apprehension in certain minds that this amendment, which my Honourable friend, Mr. Bhuput Sing, has moved, is not moved with a purpose to work inimically against the purpose of the financial circles in India or in England. The Finance Member, being a financial man, was himself and is still anxious that the Governor of the Reserve Bank should have more financial outlook than banking outlook. Well, this particular amendment gives him that latitude, and still we do want that the Governor should have some banking experience. Thereby we do not want that he should be actually an Agent of a Bank or Manager of a Bank, but we do want that he should at least be a Director of a Bank controlling the Bank, so that he could apply his banking knowledge to the control of the Reserve Bank. This is the last ditch where we can fight with the Finance Member as regards the qualifications of the Governor. It is not a fight; it is accommodation.

An Honourable Member: This is the last ditch; then we shall have to surrender.

Mr. B. Das: On this matter this is the last ditch. I wish to surrender not as enemies, but as friends. I do appeal to my Honourable friend to accept the surrender which we did when this House accepted the amendment that was inspired by the Finance Member. I do appeal to him to see our view point and accept this amendment.

I wish just to observe that this is the last speech that I shall make on the Reserve Bank Bill. I am sorry I have to leave for Orissa on some urgent business where I have to attend an important Conference. I wish only to tell him that some of us have tried our best to be very reasonable and to be very accommodating. It is not our desire to wreck the Bill, but man proposes, God disposes. I find that every amendment we have proposed God has disposed of, and, I am sure, God will also dispose of the

[Mr. B. Das.]

Reserve Bank Bill as my Honourable friend proposes. (Laughter.) Sir, my appeal to him is that he should try to understand our difficulty and try not only to accept this particular amendment, but that when the big amendment on the ratio question comes up on Monday—to my regret I shall not be here to contribute my quota to convince the Honourable the Finance Member on the merits of the case—I hope he will try to be human enough to appreciate our difficulties and try to persuade those on the other side to accept the amendment on the ratio question. With these few observations, I support the amendment of Mr. Bhuput Sing.

Mr. N. M. Joshi: Mr. President, I feel it my duty to do honour to the last speech of my Honourable friend, Mr. Das. I, therefore, have risen to oppose the amendment. The speeches which were made on the last occasion on this point have made it quite clear that the object of the amendment is to keep out of the Governorship a particular class of people and that class of people is the class of public servants. Now, when we consider the qualification of the Governor of a Reserve Bank, what do we find? He wants some practical experience; he wants several other things; he must know finance; he must know how to manage currency; he must also know how to float big loans on behalf of the country. So, mere experience is not going to give you the right type of man. Banking experience is proposed, but it is only a certain class of people who possess it. When we consider this question, I judge it from the point of view of national interests. I would like to get the right type of man by confining the choice of a candidate only to people who have got the experience of private banking, but I have come to the conclusion that, on the whole, it is not wise to confine the choice only to such people. This Reserve Bank is not the Bank of the shareholders although the Directors are going to be elected by the shareholders. The Bank is a National Bank and it is going to serve the interests of the country. The Governor has to look, not to the interests of the shareholders, but to the interests of the country as a whole. Where can you get the right type of man with this attitude of mind? In the first place, there is more likelihood of getting that type of man, as I said, among those who have worked in a private bank or among those who have done public work. But when I consider this question more deeply, I ask myself this: What is the kind of mental attitude that is developed by people who work in a private bank? Their mental attitude is to look to the interests of their shareholders. It is the first duty of the Governor of a private Bank to look to the interests of the shareholders. If you draw your man from the staff of a private Bank, that man will be in the habit of looking to the interests of the shareholders. It will take some time for that man to learn to disregard the interests of the shareholders and to look to the interests of the country as a whole. Sir, I am not a great friend of the public servants, but at the same time I am prepared to state that a public servant is expected to look to the interests of the country and not to the interests of the people who have appointed him. The public servants at least profess that whoever might have appointed them, it is their duty to look to the interests of the country first. Now, from that point of view, there is a greater likelihood of securing a man who will look to the interests of the country if you make your choice from the public servants than if you make it from amongst those who have worked only in private Banks. It is this point alone that counts more than anything else. We want a

Governor who will refuse to look to the interests of the shareholders, but we want a Governor who will keep the interests of the country first and foremost.

Nawab Major Malik Talib Mehdi Khan (North Punjab: Muhammadan): Sir, there is no doubt that for carrying out the work of the Reserve Bank, a man who has the knowledge of finance and banking experience is essential. But, at the same time, we cannot lose sight of the fact, as my friend, Mr. Joshi, has pointed out, that a person who moreover combines in himself the organising capacity, breadth of view and wide outlook, would prove more useful. Although we are considering every clause of the Bill and trying to work out the details, still a lot remains to be done by the person who will hold the appointment of the Governor as he shall have to carry out the policy laid down by the House, and see that every part of the country is served adequately by the Bank. So, I am afraid that, by laying stress on the points mentioned in the amendment, we may not run the risk of limiting the field of selection.

Mr. Gaya Prasad Singh (Muzaffarpur *cum* Champaran: Non-Muhammadan): Sir, I hope the moving appeal of my friend on my left, Mr. B. Das, the last ditcher, will strike a sympathetic chord in the heart of my Honourable friend, the Finance Member. Mr. Das says that he has made his last speech, so far as this Session of the Assembly is concerned, on the Reserve Bank.

This amendment is a very innocent one. I do not know why it has been proposed at all, but as it has been proposed, I do not know what difficulty there can be on the part of the Government in accepting it. The substance of this amendment is that the first Governor must be a man with banking and financial experience. Nobody can doubt this proposition. It is an obvious proposition, and, therefore, it does not require anybody to second or to support it. Now, my Honourable friend, Mr. Joshi, has objected to this amendment on the ground that it limits the field of choice. But it does not. It does not mean that the man must have only banking and financial experience, and that he need not possess any other qualifications. He must be a man of honesty, of integrity and of organising capacity. It is needless to mention all these qualifications in this Bill at all. He must have power of initiative, driving capacity, administrative ability, and so on. These qualifications are all necessary, and it does not mean that the mere laying down of this proviso should exclude the possession of other qualifications by the incumbents. But since it is a Shareholders Bank and a private Bank, the financial and the banking experience should be the guiding consideration in the appointment of the first Governor. Therefore, I do not think that my Honourable friend need have any objection to it on that ground. I think my Honourable friend, the Finance Member, the other day was willing to accept an amendment provided it was couched in the following terms, namely:

"The first Governor must be a man with banking or financial experience."

If I understood him aright on that day, he was prepared to accept this amendment if "and" was changed into "or". I do not think this makes much difference. The banking or financial experience is not vitally different from banking and financial experience. Banking experience is included in financial experience, but every financial transaction is not

[Mr. Gaya Prasad Singh.]

included in the banking transaction. This is a specific amendment, and I do not think my Honourable friend should be opposed to accept this amendment merely relying upon the strength of votes which he always commands in this House.

The Honourable Sir George Schuster: My Honourable friend, the Leader of the Independent Party, has asked me to give an assurance. There is only one assurance that I can give, and that is that the man, who will be selected for the post as the first Governor, will be the best man that can be found. My Honourable friend knows perfectly well that we have not yet been able to tackle this problem in a practical way and approach any particular individual to find out whether he would accept the post. We do not know when the Bank will be set up. We do not even know, I am sorry to say, when this measure will become law, and, in fact, a hypothetical proposition has in the last few days come to appear still more hypothetical. In these circumstances, I cannot give my Honourable friend any assurance, and Honourable Members know already the reasons why we feel a difficulty in putting any phrase into the Statute which might be too restrictive. We are prepared to accept a phrase that he must be a man of banking or financial experience, and as my Honourable friend, Mr. Gaya Prasad Singh, pointed out that that is really identical with the present amendment, I am sure he will have no difficulty in turning round to his Honourable friend who sits behind him and asking him to ask your leave to change "and" into "or" in his amendment in which case the discussion can be shortly concluded.

Now, I would just like to call the attention of the House to one fact that is of interest. I have just had put before me a report
 12 Noon. of a Committee which sat to consider the setting up of a Central Bank in Chile. (Laughter.) It was, as a matter of fact, a very strong Committee and they say that "the combination of qualifications needed for a successful President for such a Central Bank is exceedingly rare in one man.—judgment, tact, broad economic knowledge, initiative, energy and executive ability of a high order",—and they go on, "the Board of Directors should be restricted as little as possible in their power to elect such a man wherever he can be found", and they proceed to recommend a law which embodies no restrictions of any kind. Sir, I think that is a very good model. That is the kind of man we want and we must be completely unrestricted in our choice as to where we shall find him. On these grounds, I must oppose the amendment.

Dr. Ziauddin Ahmad: May I ask a question? Does the Honourable Member think that the Chilean constitution is the best? If so, will he accept that constitution in respect of other features also?

The Honourable Sir George Schuster: No, Sir, I would do nothing of the kind.

Mr. President (The Honourable Sir Shammukham Chetty): The question is:

"That to sub-clause (2) of clause 15 of the Bill, the following proviso be added: 'Provided the first Governor must be man with banking and financial experience'."

The motion was negatived.

Dr. Ziauddin Ahmad: Sir, I rise to move:

"That for sub-clause (4) of clause 15 of the Bill, the following be substituted:

'(4) That a Director nominated under clauses (b) and (c) of sub-section (1) of section 8 shall hold office for two years or thereafter until his successor has been duly nominated or elected as the case may be.'"

Mr. President (The Honourable Sir Shanmukham Chetty): Order, order. The period of tenure of Directors nominated or elected under sub-clause (5) of clause 8 is affected by this sub-clause, and how is this then in order? The Chair would invite the Honourable Member's attention to sub-clause (5) of clause 8 which says:

"... A Director, nominated under clause (b) or elected under clause (c) of sub-section (1), shall hold office for five years, or thereafter until his successor shall have been duly nominated or elected, and, subject to the provisions of section 10, shall be eligible for re-nomination or re-election."

Dr. Ziauddin Ahmad: May I just point out that, in spite of that, the provision made in sub-clause (4) of this clause 15 does provide that the nomination or election of Directors, as the case may be, for one year, two years, three years, four years and five years shall hold good, and I am giving you an alternative scheme. There will be an enormous number of cases which I am going to explain

The Honourable Sir George Schuster: Sir, these Directors are nominated under this clause and not under clause 8. The provision is that, of the first Directors nominated to constitute the first Central Board, one pair should retire at the end of each year. That has nothing to do with clause 8.

Mr. President (The Honourable Sir Shanmukham Chetty): Dr. Ziauddin Ahmad's amendment deals with the Directors nominated under clause 8?

Dr. Ziauddin Ahmad: Instead of being asked to vacate at the end of the first, second and third years, I propose they should all vacate their office simultaneously at the end of the second year. That is my alternative suggestion. That is the object of my amendment,—that the first Directors, instead of being asked to vacate their offices at the end of the first, second and third years, should all vacate their offices at the end of the second year.

The Honourable Sir George Schuster: That may be what my Honourable friend asks, but that is not what Mr. Vidya Sagar Pandya, who drafted this amendment, proposes in this amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The amendment definitely says that a Director, nominated under clauses (b) and (c) of sub-clause (1) of clause 8, shall hold office for a certain period, but, under sub-clause (5) of clause 8, the period of office for these Directors has already been agreed upon by the House.

Dr. Ziauddin Ahmad: I quite realize that the object is really concerning the Directors nominated under sub-clause (3) of clause 15.

Mr. President (The Honourable Sir Shanmukham Chetty): So the Doctor agrees that the wording does not give effect to his intention.

Mr. Thampan.

Mr. K. P. Thampan: Sir, I beg to move:

"That in sub-clause (4) of clause 15 of the Bill, for the words 'twelve months', in the second line, the words 'six months' be substituted."

Sir, I am one of those who think that there is no necessity to nominate the first Directors. It is wrong in principle, in the first place. I said, during the first reading of the Bill, that the nominated Directors ought to vacate as soon as the shares are allotted and the election of Directors from the provinces are over. Well, I tabled an amendment also to carry out that purpose in preference to which an amendment moved by Mr. S. C. Mitra was adopted. The Select Committee has thought it fit to eliminate the nominated Directors before their normal term of five years. They say in their report:

"We have re-drafted these sub-clauses on lines which we consider to be a definite improvement on the original draft of these sub-clauses by providing both for a more even flow of replacement and for a quicker replacement of nominated by elected Directors."

It is certainly, I admit, an improvement on the original clause, but my proposal is that it still does not meet the requirements of the case. In effect, it only reduces their term from five years, which is the normal period, to four years only. Of course there is a process evolved which will eliminate one set of Directors from one region in the first year, the next set in the second year and so on. My proposal is that this process of elimination should take place once in six months, so that all the nominated Directors will vacate within a period of two years. Two years is sufficient time for the nominated Directors to continue in office. They ought to be completely replaced by the elected Directors by that time. It is for that purpose that this amendment is made. Inasmuch as the Select Committee has accepted the principle of replacing the nominated members, I am confident that the Finance Member will not find any difficulty in accepting my suggestion. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amend-
ment moved:

"That in sub-clause (4) of clause 15 of the Bill, for the words 'twelve months', in the second line, the words 'six months' be substituted."

Dr. Ziauddin Ahmad: I strongly oppose the scheme embodied in this clause, but I think the amendment improves it. I really cannot visualize and I hope the Honourable the Finance Member has not visualized how the whole thing would work and I am confident that, in future, there will be enormous cases of litigation and enormous cases of transfer of shares from one register to another. At some future date, as soon as the transition period is over, elections will be held simultaneously and, if they are not held, several difficulties would arise. Suppose, at the end of the first year, the Bombay people retire. Then they will be elected by the Local Boards and they will hold office for five years from the end of the first year.

The Honourable Sir George Schuster: May I point out to my Honourable friend that this amendment would not create simultaneous elections? It is open to all the objections which I anticipate my Honourable friend is going to put forward.

Dr. Ziauddin Ahmad: There will be one election every year for some Local Board or another. That will be the result of this particular proviso. Suppose there is an election at the Bombay centre this year and another election, say, at the Calcutta centre next year. What would happen will be that the value of the shares in the Bombay centre will be very much increased. Everybody would like to buy a share in the Bombay centre in order to qualify to become a voter. The same person will not be able to transfer his name from one place to another. Transfers can be made in the names of friends and relations who will be concentrated at that particular centre whether the elections are to be held or not. Therefore, any attempt to have elections every year will be exceedingly difficult. It is necessary that your Directors must be persons elected from Local Boards and, if they are elected members of a Local Board, that is also a difficulty. Now, as soon as the Local Boards have been created, the first Directors may or may not be members of Local Boards and we have not made provision anywhere that the first Directors may not be members of the Local Boards. People may say that these persons are not members of the Local Board and, therefore, they are not eligible to be members of the Central Board. Therefore, I think it is desirable that we should visualize how the whole thing would work. As soon as the Bank is fully established, then all of them should resign simultaneously and there should be a simultaneous election for all the Local Boards and the Local Boards ultimately may make selection for the Central Board so that, if this process goes on from year to year, that is, one election for each centre, I am afraid, we shall have the movements of this capital from one centre to another, and a difficult situation may arise. The clause has been improved by my Honourable friend over there. I also do not like the creation of a situation by which the member of the Central Board may not be a member of the Local Board. With these words, I support the motion.

The Honourable Sir George Schuster: Sir, while my Honourable friend was speaking, I was tempted to feel with some regret that either he or I had added a second disqualification to prevent us becoming members of the Central Board of this Bank. I was tempted to feel that either he or I was not only a member of this Assembly, but also a lunatic.

Dr. Ziauddin Ahmad: Both of us are M. L. As.

The Honourable Sir George Schuster: I am quite unable to understand how my Honourable friend relates his argument to this particular amendment, but I will turn my attention to the amendment itself. What I would point out to my Honourable friend who moved it is that intervals of six months are not really adequate. The Board will have a good deal of work to do when it is first set up—very important work in organising the starting of the Bank and it would be most inconvenient to have an election of Directors after six months. What we have proposed now represents a compromise which, every one was disposed to think in the Select Committee, was a pretty good arrangement. We provide for a

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change of two Directors, one pair of Directors every year. We provide for continuity throughout the existence of the Bank and we do provide that the first Board will have time to settle down and do something before they have to contemplate making changes or standing for election. I would ask the House to accept the clause.

Dr. Ziauddin Ahmad: Suppose these four members of the Central Board do not happen to be on the Local Boards, then will any legal difficulty arise?

The Honourable Sir George Schuster: I am afraid I don't understand.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (4) of clause 15 of the Bill, for the words 'twelve months', in the second line, the words 'six months' be substituted."

The motion was negatived.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 15 stand part of the Bill."

The motion was adopted.

Clause 15 was added to the Bill.

Clause 16 was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 17 stand part of the Bill."

Dr. Ziauddin Ahmad: I beg to move:

"That in sub-clause (2) (a) of clause 17 of the Bill, for the words 'bearing two or more good signatures' the words 'which are backed by two more obligees of known solvency' be substituted."

These words are taken from the Reich Bank of Germany. The words which I have suggested will be more comprehensive, and it is only a question of nomenclature. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (2) (a) of clause 17 of the Bill, for the words 'bearing two or more good signatures' the words 'which are backed by two more obligees of known solvency' be substituted."

The Honourable Sir George Schuster: Sir, I prefer a phrase which is well-known in commercial circles and well understood to this translation of a phrase which occurs, according to my Honourable friend, in a German Act. I must oppose the amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is—

"That in sub-clause (2) (a) of clause 17 of the Bill, for the words 'bearing two or more good signatures' the words 'which are backed by two more obligees of known solvency' be substituted."

The motion was negatived.

Mr. Sitakanta Mahapatra (Orissa Division: Non-Muhammadan): Sir, I beg to move:

"That in sub-clause (2) (a) of clause 17 of the Bill, after the words 'scheduled bank' the words 'or a provincial co-operative bank' be inserted."

Sir, some facilities to agricultural co-operative societies have been given through provincial co-operative banks in part (b) of this sub-clause. But the co-operative movement in India comprises in its scope both agricultural and non-agricultural co-operative societies. The co-operative movement in my own province, Bihar and Orissa, is much less developed than in many other provinces in India, than even probably the Nizam's Dominions. But in Bihar and Orissa alone,—I have got figures for Bihar and Orissa only,—there are many non-agricultural societies. Let me read a portion from the report entitled "on the Working of Co-operative Societies in Bihar and Orissa for the year 1932". On page 26, it is said:

"The total number of these societies was 317 as against 329 last year, but their membership rose from 27,460 to 28,660 and their working capital from Rs. 38.86 to Rs. 40.93 lakhs."

There are Employees' Societies, Provincial Employees' Associations, People's Bank, Artisans' Societies, Weavers' Societies, Fishermen's Societies, Societies for Depressed Classes, Stores and other types which include two Home Industries Associations, one Housing Society, a Co-operative Press and a few Thrift Societies.

Sir, I believe such non-agricultural societies are there in much larger numbers in other provinces. Sir, unless the same facilities are opened to the provincial co-operative banks as the scheduled banks will enjoy in part (a) of this sub-clause in the way as I am suggesting, these so many thousands of non-agricultural co-operative societies in India will languish for want of adequate help from the apex banks or other provincial co-operative banks. I think I had better read a portion from the memorandum submitted by Mr. Ramdas Pantulu, President of the Indian Provincial Co-operative Banks Association and the Madras Provincial Co-operative Bank. At page 6 of his memorandum, he says:

"Clause 17 (2) (a), which empowers purchase, sale and rediscounting of bills and promissory notes, arising out of commercial and trade transactions, excludes Provincial Co-operative Banks from its scope and confines itself to scheduled banks. It is extremely desirable to include the Provincial Co-operative Banks within the scope of this sub-clause as well. The Urban Bank Movement is now developing in this country. The Urban Banks, that is, Co-operative Credit Societies, with a limited liability, operating in urban areas, are primarily intended to finance small traders, artisans and those engaged in cottage industries. A description of their useful and growing activities is to be found in the several Provincial Banking Enquiry Committees' Reports. These Urban Banks are financed by Co-operative Central Banks for such purposes. These Co-operative Central Banks, in their turn, derive their finance from the Provincial Co-operative Banks on promissory notes. Moreover, Consumers' Stores and Industrial and Trading Societies, like Sugar Factories, Handloom Weaving Societies, and Milk Supply Unions, to mention only a few varieties of new

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co-operative ventures, are fast springing up. In order to encourage all these co-operative enterprises and to finance them through Co-operative Banks, it is desirable to include the Provincial Co-operative Banks also within the scope of clause 17 (2) (a)."

Mr. G. Morgan (Bengal: European): May I tell my Honourable friend that if he reads sub-clause (2) (b), it seems to me that the point he is discussing under sub-clause (2) (a) is met.

Mr. Sitakanta Mahapatra: Part (b) deals with agricultural societies only. Then, again, Sir, Mr. V. M. Thakore, a renowned co-operative financier and Secretary of the Provincial Co-operative Bank, Patna, writes thus on the subject:

"The modification suggested by you in sub-clause (2) (a) of clause 17 is, from my point of view, very important. The Co-operative Banks are not likely to have many bills of exchange for purchase, sale and re-discount with the Reserve Bank, but they possess Promissory Notes of Central Banks in large quantities. The agricultural paper held by Co-operative Banks, in the shape of loan bonds and pro-notes, as you are aware, can neither be re-discounted nor sold at present. The commercial banks are better placed in this respect in that in case they desire to dispose of the paper held by them against advances, they can do so either by re-discounting or by selling it in the market. The resources of commercial banks, therefore, are comparatively more fluid than the resources of Co-operative Banks. By fluid, I mean realisable in case of need. It is very necessary to impart some slight fluidity to the agricultural paper held by Co-operative Banks at present and this cannot be done unless the re-discounting of promissory notes of Co-operative Banks is made permissible under sub-clause (2) (a) of clause 17. From this point of view, the inclusion of the words 'or the Provincial Co-operative Bank' after the words 'Scheduled Bank' is very necessary."

Sir, the Joint Select Committee discussed this question and it seems to me that the Government side accepted the principle. But, I do not understand why they have not given effect to it in the Bill. With your permission, Sir, I shall read out a portion from page 199 of the proceedings of the Select Committee. Mr. Ramdas Pantulu says . . .

The Honourable Sir George Schuster: I must object to the Honourable Member quoting this. We certainly have never had this evidence quoted before.

Mr. President (The Honourable Sir Shanmukham Chetty): What is the point?

The Honourable Sir George Schuster: My Honourable friend was proceeding to read from the record of the discussions with the experts in the Joint Select Committee. This is the only time that any Honourable Member has done that. I raise objection to that, not that I am afraid of his reading out what is contained in the discussions, but it is a matter of principle.

Mr. Sitakanta Mahapatra: In that case, I shall give only the substance. If I understood aright, the Government side accepted the principle underlying the suggestion of Mr. Ramdas Pantulu. I will suggest to the Honourable the Finance Member to read page 199 of the proceedings. Mr. Taylor accepted the principle when Mr. Ramdas Pantulu raised a very important question.

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member cannot refer to anything except the published proceedings of the Select Committee.

Mr. Sitakanta Mahapatra: Sir, I move my amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (2) (a) of clause 17 of the Bill, after the words 'scheduled bank' the words 'or a provincial co-operative bank' be inserted."

Mr. Bhuput Sing: Sir, I have some difficulty in supporting this amendment. First of all, the co-operative banks do not stand in the same category as the ordinary scheduled banks, because the essential condition for the scheduled banks is that they have to deposit compulsorily a certain percentage against their time and demand liabilities, which the co-operative banks are not required to deposit. Besides, as far as I remember, there was no demand from the representatives of the co-operative banks when they came before the Joint Committee to have such facilities; and though it may be said that there are some non-agricultural co-operative banks, I think the majority of that class of banks are agricultural and their primary object is to help agricultural operations and as such there will not be much hardship to the majority of them. So I do not think any such legislation is required to give them facilities for commercial and trade transactions. If, in future, they want to come in the same line with other commercial banks, they may do so by applying to the Reserve Bank to include them amongst the scheduled banks. Sir, I oppose the amendment.

The Honourable Sir George Schuster: Sir, I would just like to explain our position in this matter. The position of co-operative banks in relation to the Reserve Bank is a curious one. They are not put under the obligations which apply to scheduled banks, but they are given certain privileges. They are given special privileges under clause 17 (2) (b) as regards the rediscounting of agricultural bills. That position is the position which was recommended by the original Joint Select Committee on the Reserve Bank Bill. It is also the position which was recommended by the Central Banking Inquiry Committee. One of the recommendations was that the Reserve Bank should be authorised to rediscount agricultural bills for co-operative societies; and we do not think that at the present stage we could go further than that. This is not the last word as regards the relation between co-operative banks and the Reserve Bank. If the co-operative banks want to come in to all the privileges, then they should come in also to the obligations. They should take their place exactly *pari passu* with the scheduled banks; and that was in fact the attitude of Mr. Ramdas Pantulu to whom my Honourable friend, who moved this amendment, referred. He actually supported the idea that the provincial co-operative banks should be treated as scheduled banks for all purposes. We, after careful consideration, thought that that was going rather too far at the present stage and the result is that we have left the Bill in this form. But there is nothing to prevent further developments for co-operative banks to come in on a par with scheduled banks, in which case they will get all the privileges that are given to scheduled banks under the Bill. That being our position, I must oppose this amendment at the present stage.

Mr. B. V. Jadhav: Sir, I rise to support the amendment. When the Co-Operative Act was first passed in 1904, only agricultural finance operation was in view and provisions were made in that Act for the helping of such co-operation. But, since then, the co-operative movement in various parts of the country has developed in different ways. Not only is there agricultural banking as provided in the Co-Operative Act, but it has extended

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to bring under it men engaged in other industries. For example, people's banks on the Italian model have been lately started and now that movement is taking a leading part in the co-operative field. Many thousands of people's banks have been started and are being worked and they are financing the small trader and the small manufacturer, and in that way dealing with a good deal of the paper mentioned in clause 17(2)(a). This sort of business is being done by the people's banks and the provincial banks are helping the people's banks, and, in this way, there is a good deal of necessity of backing from the Reserve Bank. Not only that, but there non-agricultural co-operation is on the increase and the non-agricultural societies are also requiring a good deal of finance. The Select Committee has made provision in clause 17(2)(b) for sums provided for agricultural operations. But these are not all the operations which the co-operative provincial banks or the co-operative central banks have to finance. As I have pointed out, the people's bank movement is now growing strong and that requires a good deal of financing. I will give another instance. In the town of Poona, the Maharashtra Traders' Association has been registered and is doing a good deal of business with manufacturers like Ogale's and Kirloskar; these are being financed to the extent of a lakh or two and sometimes three lakhs for each manufactory and, in that way, this co-operative agency, as it is called, of Maharashtra traders is doing a good deal of business. It is financed by the Poona Central Co-operative Bank and that, again, in its turn, is financed by the Bombay Provincial Bank. So the provincial banks of the various provinces will require a good deal of financial backing to carry on all these operations; and, therefore, what I claim is that the provincial banks should be brought under clause 17(2)(a). It has been said that the provincial banks are not to submit to the restrictions or to the liabilities put upon the scheduled banks and, therefore, if they are not liable to the liabilities, they ought to be out of the operations of this sub-clause. I say, Sir, that the co-operative movement does not require to be freed from the liabilities which are placed on the scheduled banks. My claim is that such provincial banks, as do accept the liability of depositing their sums with the Reserve Bank, should come under the Schedule.

The Honourable Sir George Schuster: If they accept that, they can be treated as scheduled banks under the Bill.

Mr. B. V. Jadhav: Opportunities should be given to them from the very first. Such co-operative banks, as do accept liabilities, should be provided for here. . . .

The Honourable Sir George Schuster: There is nothing to prevent that as the Bill stands.

Mr. B. V. Jadhav: So, I support the amendment.

Mr. Sitakanta Mahapatra: Sir, I beg leave of the House to withdraw my amendment.

The amendment was, by leave of the Assembly, withdrawn.

The Assembly then adjourned for Lunch till Two of the Clock.

The Assembly re-assembled after Lunch at Two of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

Mr. President (The Honourable Sir Shanmukham Chetty): The next amendment is No. 168 standing in the name of Raja Bahadur Krishnamachariar.

Raja Bahadur G. Krishnamachariar (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): Sir, the amendment that is down on the list against my name is an extremely small and innocent one. It runs as follows:

"That in sub-clause (2) (b) of clause 17 of the Bill, after the words 'agricultural operations' the words 'payment of Government demands' be inserted."

Sir, if the House will kindly turn to the Bill, it will observe that, so far as the agricultural portion of the community is concerned, the Government have agreed to finance seasonal agricultural operations and also to facilitate the marketing of crops, and, in one of these operations, there is a very important lacuna. You have the agricultural operations; you reap your produce, and before you market your produce, you have got to pay the Government demand, otherwise the whole thing goes. Generally, there is a combine in the towns and even in the villages when the price of agricultural produce is lowered as much as possible, because people there know that most of us have not got cash, and as we have got to pay the Government demand, we must go to these buyers at any cost and sell our produce, otherwise the Government come in. Sir, if the facilities that I want are afforded against all the securities the Bank may want, and even against greater securities if necessary, we would be enabled to tide over the crisis, because, then, we could sell our produce for such prices as we may get and pay this money. Of course, if the Government had said that they were not going to help agriculture at all, that would have been a different matter. If you want to help agriculture, the best way in which you could give us that help is by enabling us to pay the Government revenue. Otherwise, if you do not pay the amount, there is an attachment and it must be paid within 15 days' time, and if it is not paid, the whole produce goes away for even much less than what we would sell it at ordinarily. But, Sir, having agreed to finance agricultural operations, what is the good if you don't come to our help in time. You say you are going to help the marketing of our crops, but when there will be no crops at all to market, what will be the use of your offer to help marketing? I do beg of the Finance Member who, I think, has been bored very nearly—I won't say death, but very near to that,—by the opposition in time and out of time by appeals to do this and to do that, but this, Sir, I really think he ought to do.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (2) (b) of clause 17 of the Bill, after the words 'agricultural operations' the words 'payment of Government demands' be inserted."

Dr. Ziauddin Ahmad: Sir, I very strongly support this motion. I generally support every motion that is made by Raja Bahadur Krishnamachariar, as his opinions often coincide with mine. People, who are

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not themselves zamindars and tenant proprietors, may not be able to appreciate the importance of this particular motion, because they have never been subjected to the trouble to which these people are put. It is really the way in which the Government revenue is extracted that is mainly responsible for the high rates prevalent in country places. If the land revenue is not paid in time, the person is put in jail immediately and all his property is confiscated, and, in order that the man may be released from the jail, his relations have to borrow money under any condition which may be offered to them, and all the money-lenders, looking to the helpless condition of this poor man, immediately raise their rates of interest for this man, with the result that he has sometimes to borrow at the rate of 25 per cent or even 30 per cent, and this is really a very high rate of interest. Not only this, but everything which belongs to this poor man is sold by auction which fetches a very small amount generally. Of course, he has to sell, in the first place, his gold, which is really given out as distress gold, and I am sure that, out of the 160 crores of rupees worth of gold which we have exported, a major portion represents this distress gold.

Raja Bahadur G. Krishnamachariar: There is no more gold now, certainly not in Madras.

Dr. Ziauddin Ahmad: Evidently very little is left now; but, at this rate, these landed classes will be practically ruined in a very short time. I do not want to dwell on the fact that India was a manufacturing country, and during the last 100 years, this manufacturing country has been reduced to an agricultural country, and if this process continues, this agricultural country will be converted to a starving country, and I hope the Honourable the Finance Member will realise the importance of this particular amendment from the point of view of zamindars and will accept it.

The Honourable Sir George Schuster: Sir, I think that the words which my friend wishes to insert here would really be misplaced in a clause of this kind. We are, after all, here trying to lay down the kind of business which a Bank should do in order that they may maintain itself in a sound financial position. The object here in a clause of this kind is to cover advances in cases where, what I may describe as self-liquidating transactions are involved. What the Bank has got to look to in making an advance is what are the chances of repayment, what is going to be the result of its advancing that money? If the result is going to be the creation of value which will itself liquidate the advance, then it is good business. I do not suppose that a Bank in dealing with a client would inquire exactly into the purposes for which the money is to be spent. What I mean by that is that it might be safe to make an advance if there was a sufficient security of repayment which would help to finance the borrower for meeting Government taxes as well as other expenses of cultivation. That, I submit, is not a thing that should be mentioned in a clause of this kind. What this clause is aiming at is to ensure that advances shall not be made except to finance transactions which, as I have already said, will be self-liquidating transactions and will in the end result in the repayment of the advance.

Raja Bahadur G. Krishnamachariar: May I put a question to the Honourable Member? He says for the financing of seasonal and agricultural operations. I borrow from him Rs. 2,000, and, at the end of the operations, just when the field is going to be harvested, there is a huge flood and the whole thing is wiped out. Where is the chance of self-liquidation then?

The Honourable Sir George Schuster: That, of course, is one of the risks which anybody who advances money to finance agriculture has to take, but we do not want to increase those risks or to put in any words which would encourage a Bank to do unsound business. I submit this is a clause in the sort of form which would be normal for covering any sort of banking business, and that my friend's words are either unnecessary or out of place.

Raja Bahadur G. Krishnamachariar: Then show me some other place where I can put in those words. I don't mind where it is.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (2) (b) of clause 17 of the Bill, after the words 'agricultural operations' the words 'payment of Government demands' be inserted."

The motion was negatived.

Mr. T. N. Ramakrishna Reddi (Madras Ceded Districts and Chittoor: Non-Muhammadian Rural): Sir, I beg to move:

"That in part (b) of sub-clause (2) of clause 17 of the Bill, for the words 'nine months' the words 'twelve months' be substituted."

One of the functions of the Reserve Bank is to rediscount the agricultural bills of a provincial co-operative bank or a scheduled bank for the monies which have been advanced for financing agricultural operations. In the original Bill, only six months' time was given, and that has been extended to nine months, the idea being that usually agricultural crops take six months to grow and they require a period of two or three months more for being marketed, so that the amount which has been taken may be disposed of after the crops have been sold in the market, and that is why nine months' time has been given. At that time they did not take notice of a very important crop, that is sugar cane. Sugar cane takes about ten months for its growth. On account of the protection that has been given to sugar industry, the sugar cane produce has been given great impetus, and I find a very large increase in the acreage growth with sugar cane in recent years. Further, sugar cane does require high initial cost. Owing to the development in agricultural research, the initial cost for crops like paddy and other things has been reduced to the lowest limit . . .

Raja Bahadur G. Krishnamachariar: Do you cultivate paddy?

Mr. T. N. Ramakrishna Reddi: Yes.

Raja Bahadur G. Krishnamachariar: A single plantation means more manure, more weeding and more ploughing and careful transplanting.

Mr. T. N. Ramakrishna Reddi: I accept that correction. But sugar cane requires much more for seedling, and it costs very much. It has to be manured many a time during the course of its growth, and, at the same time, sugar cane is grown under lands with precarious irrigation resources. When the water source fails, they have to dig wells, deepen them, and so on. They have to spend a lot of money on all these things. What I am driving at is that sugar cane requires great initial cost for its growth, and hence, if money is to be advanced for agricultural operations, it must be not for nine months, but for nearly 12 months, because it takes 10 months for its growth and then one or two months are required for its milling and being converted into sugar or jaggery. Therefore, 12 months' time must be given in order that the agriculturist may reap the greatest amount of benefit under this scheme.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in part (b) of sub-clause (2) of clause 17 of the Bill, for the words 'nine months' the words 'twelve months' be substituted."

The Honourable Sir George Schuster: This is a sort of point which, I submit, ought really to have been taken in the Select Committee. I am quite ready to accept my Honourable friend's statement that possibly the financing of the sugar crop may require longer credit than normal crops. But, on the other hand, I would remind him that the actual wording of this clause is "within nine months from the date of such purchase or rediscount". That is to say, a commercial bank is not necessarily limited to giving only nine months' credit in the first instance. If it is given for a longer time, then it may have to hold that bill for a time until it goes to the Reserve Bank to rediscount it. We went into this question very carefully in Select Committee and every one had an opportunity of representing their views. We discussed it with the expert bankers. We extended the period of six months, as it was originally, to nine months, on the understanding that that was adequate. And I do not think that it would be wise to extend the period still longer for agricultural bills merely for the sake of dealing with the sugar cane crop, particularly having regard to the fact, as I have already pointed out to my Honourable friend, that this does not actually limit the period of credit which the commercial bank on whom the cultivator must himself rely can give. On these grounds, I think I must oppose this amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in part (b) of sub-clause (2) of clause 17 of the Bill, for the words 'nine months' the words 'twelve months' be substituted."

The motion was negatived.

Dr. Ziauddin Ahmad: I beg to move:

"That to sub-clause (2) (b) of clause 17 of the Bill, the following proviso be added:

'Provided that the total face value of bills or notes so purchased or rediscounted shall not at any time exceed one-fifth of the total liabilities of the Bank in respect of deposits.'

I have got before me the corresponding clauses in the 1927 Bill. In that Bill, as it emerged from the Select Committee, and also in the Bill, as it was originally laid before us, I find that this proviso existed in all these Bills, but it has been quietly omitted in the Bill which is now before us. I notice that in the 1927 Bill, it was clearly put down:

"Provided that the face value of bills or notes so purchased or re-discounted shall not at any time exceed one-fifth of the total face value of the bills and notes purchased or re-discounted by the Bank."

In that Bill, as it emerged from the Select Committee of 1927, the same words existed except that "one-fifth" was changed into "one-fourth". In the 1928 Bill, the same proviso exists, but we have got "one-fourth" instead of "one-fifth". In the Bill, as it was originally introduced here, we find:

"...provided that the total face value of bills or notes so purchased or re-discounted shall not at any time exceed one-fourth of the total face value of all bills and notes purchased or re-discounted by the Bank up to that time."

This sort of proviso exists in all the Bills that have so far been drafted and laid before the Assembly, but the Select Committee has quietly omitted this very important proviso without giving sufficient reasons. I have great apprehension that, if this proviso does not exist, there may be accumulation of a particular kind of securities to an abnormal extent, and it might affect the value of the different kinds of securities. I think the proviso should be re-inserted and no argument has so far been given for the removal of this salutary proviso. I think it is a matter worth consideration. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved.

"That to sub-clause (2) (b) of clause 17 of the Bill, the following proviso be added:

"Provided that the total face value of bills or notes so purchased or rediscounted shall not at any time exceed one-fifth of the total liabilities of the Bank in respect of deposits."

The Honourable Sir George Schuster: It is a little difficult to follow the workings of my Honourable friend's mind. At one time he appears before us as the champion of agricultural interests and asks for the extension of facilities to help those classes, and, at another moment, just because a particular clause which appeared in a former Bill or which appears in some other Bank Statute is not included, he asks that it should be included regardless of its effect on the agricultural classes. In this case we considered this matter very carefully in the Select Committee, and we have said in the report:

"We have also omitted the proviso in the original clause as being undesirable in the present conditions of India."

We do not want to hamper the discretion of the Bank as regards the amount of finance which it could give for agricultural purposes. We felt that this limitation of one-fifth might in practice prove very hampering and we were prepared to take the risk and leave it to the discretion of the Board. I submit that if one is attempting to put a limitation on such advances, on locking up money in that sort of way, it is almost impossible.

[Sir George Schuster.]

to fix a limit which one can say with any certainty would not be unduly hampering. On these grounds, we omitted any limitation at all and left it to the discretion of the Board.

Dr. Ziauddin Ahmad: Is this proviso or the limit removed simply in the interest of agriculture and are you expecting that a very large amount will be given to every agricultural interest?

The Honourable Sir George Schuster: That is the purport of everything that I have been saying.

Dr. Ziauddin Ahmad: Then I beg leave of the House to withdraw my amendment.

The amendment was, by leave of the Assembly, withdrawn.

Raja Bahadur G. Krishnamachariar: Sir, I move:

"That after part (b) of sub-clause (2) of clause 17 of the Bill, the following new part be inserted and the existing part (c) be re-lettered as (d):

'(c) making loans and advances to agriculturists on the security of movable goods, wares, merchandise, as well as against ware-house warrants or ware-house receipts representing such goods'."

My Honourable friend, in opposing my last amendment, said that the object of providing for this sort of business was that the loan might be easily liquidated. Whereas that proposal did not appeal to him as coming under one of those heads, I respectfully submit that this amendment does, because he has got every facility to realise that money directly it falls due. This clause, I may say, was recommended by the Central Banking Inquiry Committee, a Committee which, I suppose, consisted of experts, both local and foreign, and they all agreed that, in view of the conditions existing in India, this sort of provision must be made. The learned members of the London Committee observed as follows with regard to this, in paragraph 17, on page 4. They say:

"The Banking Inquiry Committee recommended that additional provision should be made to enable the Bank to make loans and advances on the security of movable goods, wares, merchandise, etc. We do not feel able to recommend any such provision since it would tend to render the Bank's resources less liquid and might involve it in undesirable competition with commercial banks."

Now, Sir, with regard to this question about less liquid, I will come later, but, as regards the competition with the commercial banks, the Banking Inquiry Committee themselves had reckoned with this question and, with your leave, I shall read a few sentences from their report. It is from paragraph 607 of the Central Banking Inquiry Committee Majority Report on page 419: After discussing the provision which I want to put in as an amendment, namely, clause (b), they proceed:

"We consider that this provision is only a partial remedy to the existing situation. In the first place, the number of member banks would, at the outset, be only about 60 of which 18 are exchange banks mostly unconnected with agriculture and inland trade. In the second place, it is not inconceivable that, owing to the absence of an extensive bill market in India which would ordinarily enable the Reserve Bank to enforce its policy by its operations therein, the Reserve Bank might have to follow in respect of controlling the member banks with regard to the interest rates in the country in the busy season. As a result, the position in India, after the Reserve Bank is established, may differ little from what it is today, etc."

—and then, they say—

“Owing to these considerations, we agree with the foreign banking experts—

—(not only these gentlemen in India say this, but also the foreign experts who were brought out at great cost for finding a solution of the existing difficulties)—

“that additional provision should be made in the Reserve Bank Bill enabling the Bank to make loans and advances.”

—and then the words follow which I have moved as an amendment—

“This provision may perhaps be criticised as likely to encourage too much competition between the Reserve Bank and other commercial banks in the country. We agree that the Reserve Bank should not ordinarily compete with commercial banks for profit, but, in our opinion, it ought to be in a position to operate in the open market, and compete with the commercial banks so as to make its policy effective. We contemplate that the Reserve Bank need not necessarily avail itself of this provision to a large extent, but the mere fact of its existence will enhance its influence and level of interest rates. We may also draw attention to the fact that a number of the recent modifications to the South African Reserve Bank Act have been on the above terms, the object being to render its working more effective.”

Upon that argument, I submit that the question of the competition with the commercial banks has not got very much force. Every item of business laid down in clause 17, at least portions relating to purchase and sale of bills and re-discount and that sort of thing, must, to a certain extent, compete with the commercial banks and did they not agree to it. Why should they decline to agree, so far as this proposal is concerned, and with regard to the resources being less liquid, I submit, as observed by Mr. Nalini Ranjan Sarkar in his pamphlet regarding the Reserve Bank:

“The danger to liquidity of resources may be avoided by strictly regulating the tenure of the loans and advances and by prescribing a definite maximum limit to the total amount of money that may be invested through such instruments of credit.”

I think that is very fair and I have specially kept the clause vague so that, at the time of granting each loan, they might fix a time within which it is repayable. What I really want is that some provision should be made to enable us to get this money. Unfortunately, in view of the very small number of banks, as has been pointed out by the Central Banking Inquiry Committee, it is, I submit, very difficult for us to run from one part of the Presidency to another on the off chance of getting this money, whereas the Reserve Bank, being admittedly a National Bank, ought to have more pity upon us and I think they should, instead of killing the goose that lays the golden eggs, try to save it, and that is the reason why I say that, as this clause satisfies the condition that my Honourable friend objected to regarding my previous amendment and as it would enable us to directly borrow money without any camouflage in order to pay the Government demand, that is the object with which most of these agricultural people come for loan. It is all bunkum to say that they are for agricultural operations, and so on. It will never pay. It will not be possible for the ordinary agriculturist to run about these banks in order to borrow Rs. 100 or Rs. 200 or Rs. 300. Those amounts are not to be spent at once, but to be spread over a period of between three to six months and, secondly, the one item upon which you can come to the rescue, if you do want, as I have no doubt you want to, because you have reckoned with the agricultural interests also, is in the provisions of this Act. I say if that has got

[Raja Bahadur G. Krishnamachariar.]

to be done, please do it effectively, and the only way you can do it is by acting according to the recommendations of the Central Banking Enquiry Committee, which, after all, I suppose, understood the conditions existing in the country, which, I suppose, knew something about banking, and I take it the foreign experts, who came out from abroad in order to assist these gentlemen in their deliberations, knew what they were talking about. So, taking into consideration everything, they made this recommendation and it surely does not lie in the mouths of those who sat in London to say that they do not agree, because it is less liquid. But they ought to have considered how to avoid that difficulty and how to go about helping the agriculturist. If they did so with all the intelligence at their command and with all the help of the experts behind them, they ought to have made some provision or other. Unfortunately it looks as if they have not made any serious attempt, with the result that, so far as we are concerned, our cry is a cry in the wilderness.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That after part (b) of sub-clause (2) of clause 17 of the Bill, the following new part be inserted and the existing part (c) be re-lettered as (d):

'(c) making loans and advances to agriculturists on the security of movable goods, wares, merchandise, as well as against ware-house warrants or ware-house receipts representing such goods'."

Mr. K. P. Thampan: Sir, I have great pleasure in supporting this amendment. It might be urged that the financing of agricultural operations and giving loans to agriculturists are, strictly speaking, more the legitimate work of co-operative societies and other banking concerns, but, Sir, those institutions are not discharging their work in this respect quite satisfactorily. Probably, the very fact that, there is a provision like this in the Reserve Bank Statute, might have a salutary effect on those institutions. It may be that hereafter, with the money, that they take as loans from the Reserve Bank, they will be in a better position to advance such loans. If, moreover, there is a provision to enable the Reserve Bank to give loans directly to these people, I am sure, it will be an additional inducement to those institutions to help the agriculturists who are unfortunately always in need. Sir, India is essentially an agricultural country. The foreign trade of this country is on an average only about Rs. 300 crores per annum, while the internal trade is about Rs. 5,000 crores. That is a very modest estimate, and it is the duty of the Members of this House to safeguard the interests of the agriculturists rather than those of people engaged in foreign trade and commerce. The merchants and others engaged in commerce and industrial pursuits are vocal and make their voice heard and they carry on a ceaseless agitation. It is always their interests that are safeguarded by the Legislature. It ought not to be so. We ought to safeguard primarily the interests of the agriculturists who form more than 80 per cent of the population. Agriculture is the stable industry of this country. It is also the main source of taxation, and it is, therefore, the primary duty of the Legislature to protect the agriculturist. I, therefore, have great pleasure in supporting the amendment moved by my Honourable friend, the Raja Bahadur.

Mr. S. C. Sen: Sir, I have been listening very carefully to the speeches made by my Honourable friends, Raja Bahadur Krishnamachariar and Mr.

Thampan, but none of them have referred to the practical difficulties in the way of the Reserve Bank advancing against agricultural produce on the guarantee of the agriculturist himself. If you will kindly refer to sub-clause (4) (d) of clause 17, you will find that as against goods, which are given as security to any scheduled bank or a provincial co-operative bank, they can come to the Reserve Bank and have a loan against their securities. It is the same security which is being proposed to be given by the agriculturist and, even if this is allowed, I do not know how the security is to be practically enforced against the agriculturist. Is the Reserve Bank to have a godown or a warehouse in every village where goods are to be kept and which will be taken as security for the advances to be made? These are some of the practical difficulties which weigh with me in coming to the conclusion that such a provision is not at all suitable for a Reserve Bank, but they can be used by the provincial co-operative credit societies.

Raja Bahadur G. Krishnamachariar: Why then did the Banking Inquiry Committee recommend this?

Mr. S. C. Sen: I was not on the Banking Inquiry Committee. If I had been there, I would have had my presence felt in that Committee.

The Honourable Sir George Schuster: Sir, my Honourable friend, who moved this amendment, has stated very well the case for it and he has also stated the case against it shortly by quoting from the Report of the London Committee. There was one part of my Honourable friend's speech which I did not quite understand. He said that all the sections of this long clause were really opening the way for the Reserve Bank to compete with commercial banks.

Raja Bahadur G. Krishnamachariar: I said only the clauses relating to the purchase or re-discounting of bills—only those clauses, not all.

The Honourable Sir George Schuster: Well, the re-discounting of bills bearing the signature of a scheduled bank is not surely an operation which competes with the commercial banks, but rather an operation which helps them in their own business, and that is the whole purpose of this clause, and the whole purpose of the Bank is to stand behind the ordinary commercial banks and make their position more elastic in time of need. My Honourable friend, Mr. Sen, has very well pointed out the objections to this proposal. I must confess that I find it difficult to understand how the foreign experts came to make such a recommendation. It would be impossible for the Central Bank to undertake work of this kind unless it had a very large number of branches all over the country and unless there were well-regulated warehouses which would issue reliable warrants. Now, that is a condition which does not exist in India, and, if business of this type is to be encouraged, the first step that has to be taken is to create an organization of warehouses where goods and merchandise can be stored in such a way that money could be raised easily upon that security. If we were to put a provision of this kind into the Reserve Bank Bill now, I submit it would have very little effect, and there are the two grave objections,—first of all, that it involves the Bank getting into direct relations with private clients, outside its own and proper sphere of business and in competition with commercial banks, and, secondly,

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that the financing of goods which are stored in warehouses is not merely the financing of the marketing of goods which are moving towards the market and going to be liquidated within a reasonable period. That kind of financing leads to frozen credits and must tend to get the Bank into a very unliquid position. I would not like to prophesy myself as to whether, in future, if a system of warehouses is developed, it might not be possible for the Reserve Bank in India to start a special department which might do business of this kind. It is conceivable that, in the special conditions of India, something of that kind will be necessary, but we are not ready to take such a step now and it would be starting the Bank off on the wrong lines and creating false expectations if such provisions were to be inserted. After very careful consideration and discussion with the banking experts in London, we decided to reject this recommendation, and I am afraid I must adhere to that position.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That after part (b) of sub-clause (2) of clause 17 of the Bill, the following new part be inserted and the existing part (c) be re-lettered as (d):

'(c) making loans and advances to agriculturists on the security of movable goods, wares, merchandise, as well as against ware-house warrants or ware-house receipts representing such goods'."

The motion was negatived.

Dr. Ziauddin Ahmad: Sir, I beg to move:

"That in sub-clause (2) (c) of clause 17 of the Bill, after the words 'exclusive of days of grace' the words 'and such bills of exchange and promissory notes shall not ordinarily be renewed' be added."

Sir, the intention of this particular amendment is to avoid speculation in Government securities. If this thing is put in, we are afraid that there may be a good deal of speculation in Government securities. I have not, however, prohibited this thing altogether as I have put down "ordinarily", so that, in special circumstances, this thing may be permissible. It is a very salutary provision and I hope the Honourable the Finance Member will accept it. The intention is simply to prevent people from entering into speculation on Government securities so that the price of the securities may not be raised or levered artificially.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (2) (c) of clause 17 of the Bill, after the words 'exclusive of days of grace' the words 'and such bills of exchange and promissory notes shall not ordinarily be renewed' be added."

The Honourable Sir George Schuster: Sir, I do not think this addition is necessary. We prefer to leave it to the discretion of the Bank not to allow undesirably long advances to be carried on under this sub-clause, and I would submit to my Honourable friend that a phrase of this kind "shall not ordinarily be renewed" is a very ineffective form of a phrase to put into a Statute. It must be left entirely to the discretion of the Board really as to what circumstances are to be regarded as ordinary and

what as extraordinary. I venture to put it to him that it would have very little effect. We think this is one of the matters which should be left to the discretion of the Board, and I oppose the amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is :

"That in sub-clause (2) (c) of clause 17 of the Bill, after the words 'exclusive of days of grace' the words 'and such bills of exchange and promissory notes shall not ordinarily be renewed' be added."

The motion was negatived.

Dr. Ziauddin Ahmad: Sir, I beg to move:

"That for sub-clause (3) of clause 17 of the Bill, the following be substituted:

'(3) (a) the purchase from and sale to scheduled banks and persons approved by the Central Board and duly notified in a list to be published in the Government of India Gazette of sterling in amounts of not less than the equivalent of twenty-five thousand of rupees;

(b) the purchase, sale and re-discount of bills of exchange (including treasury bills) drawn in or on any place in the United Kingdom and maturing within ninety days from the date of purchase, exclusive of days of grace; provided that no such purchase, sale or re-discount shall be made in India except with a scheduled bank or persons approved by the Central Board and duly notified in a list to be published in the Government of India Gazette; and

(c) the keeping of balance with the Bank of England;."

Sir, so far as part (c) of my amendment is concerned, now that we have decided that we should have a branch of our own in London, it is only a consequential amendment and it should go out. Sub-clause (c) was put in on the understanding that the Bank of England would be used as a branch of the Reserve Bank.

As regards the other two clauses, I have a very strong apprehension and I do not mind giving vent to it on the floor of this House. My apprehension is that all these exchange banks may form a clique and thus may raise up the value of the exchange rates and may act prejudicially against the interests of the Reserve Bank. Therefore, the object of this amendment is that, in case these exchange banks may form a combine, as some of the Petroleum Companies do combine against the interests of the consumers and do certain things which are against the interests of the Reserve Bank, then there should be some opportunity provided for the Reserve Bank to come out of that situation. I thought that they should be able to carry on the transactions through such men as Rally Brothers and Volkart Brothers and other leading exporters and importers. If all these persons are required to come through the exchange banks, then it is quite possible that they may form a clique and thus may put up the exchange value. The object in moving the amendment is that the Reserve Bank should be left free to negotiate not necessarily through the exchange banks, but also through the importers and exporters at its own discretion.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That for sub-clause (3) of clause 17 of the Bill, the following be substituted:

'(3) (a) the purchase from and sale to scheduled banks and persons approved by the Central Board and duly notified in a list to be published in the Government of India Gazette of sterling in amounts of not less than the equivalent of twenty-five thousand of rupees;

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(b) the purchase, sale and re-discount of bills of exchange (including treasury bills) drawn in or on any place in the United Kingdom and maturing within ninety days from the date of purchase, exclusive of days of grace; provided that no such purchase, sale or re-discount shall be made in India except with a scheduled bank or persons approved by the Central Board and duly notified in a list to be published in the Government of India Gazette; and

(c) the keeping of balance with the Bank of England;.”

Diwan Bahadur A. Ramaswami Mudaliar (Madras City: Non-Muham-madan Urban): Is Mr. Morgan's amendment going to be moved, Sir?

Mr. President (The Honourable Sir Shanmukham Chetty): It all depends on what the decision on this amendment is going to be.

Diwan Bahadur A. Ramaswami Mudaliar: I should like to oppose this amendment, because it gives too much latitude to fortunate individuals to deal in the exchange market. I think we had a very unhappy experience in 1919—1920, when a list of individuals was published through whom these exchange operations were also done. This is a matter in which the scheduled banks should have the right to come to the Reserve Bank and get the necessary exchange operations performed and individuals should approach only the scheduled banks. Now, we have brought the scheduled banks under discipline. We are going to provide that they should hold certain balances with the Reserve Bank and I do not see why individual persons should compete with the scheduled banks in this matter when they are not under such obligations. They can go to any exchange bank and get these exchanges. Moreover, whatever limit we may put, it will be only helpful to the rich people who want to send money to England, and the poorer persons who want to send small amounts will have to go to these individuals or scheduled banks. It will also lead to charges of favouritism.

As regards the argument about combines, I think the few individuals that will be scheduled under this qualification can very well enter into some combination with exchange banks and then we will be just as badly placed as ever we were before these individuals were given this opportunity. Sir, I oppose this amendment.

Mr. Bhuput Sing: Besides the point raised by Mr. Mudaliar, there is another question, the question of favouritism if any approved list is kept. We do not like that the Central Board should be criticised for it. There must be equal chances for all persons and no favours should be shown to any particular individual. Sir, I oppose the amendment.

The Honourable Sir George Schuster: It is very difficult to deal with an amendment of this kind which substitutes a whole new long sub-clause for the one which is in the Bill. My Honourable friend, Dr. Ziauddin Ahmad, raises quite a number of different points, one of which, at any rate, is dealt with in isolation in some of the other amendments which are down. If this amendment is rejected, I do not know whether other amendments will also be ruled out.

Mr. President (The Honourable Sir Shanmukham Chetty): No, this amendment raises quite a number of issues and, if this amendment is

carried, then the amendment of Mr. Morgan will be included in this. But if this amendment is rejected, then the amendment of Mr. Morgan and Mr. B. Das will be in order.

The Honourable Sir George Schuster: Then, I must reserve something to say in answer to the amendment of Mr. Morgan. I do not think I need go into any great length in opposing this amendment. The Honourable Member, who has just spoken, has raised one point. Another point is this. The sum of Rs. 25,000 is too small, and, on various points, I oppose this amendment.

Dr. Ziauddin Ahmad: I just want to draw the attention of the House to part (c), because the House has decided that the Reserve Bank should open a branch in London. If my amendment is rejected, does it mean that the Reserve Bank should be asked compulsorily to keep its balance with the Bank of England instead of having it in its own branch in London?

Mr. President (The Honourable Sir Shanmukham Chetty): The provisions of this clause do not impose any compulsory obligation on the Reserve Bank. This clause enumerates the class of business that the Reserve Bank is permitted to do. Even if the Reserve Bank has got a branch in London, it is not precluded from keeping its balance in any other Bank.

The question is:

"That for sub-clause (3) of clause 17 of the Bill, the following be substituted:

'(3) (a) the purchase from and sale to scheduled banks and persons approved by the Central Board and duly notified in a list to be published in the Government of India Gazette of sterling in amounts of not less than the equivalent of twenty-five thousand of rupees;

(b) the purchase, sale and re-discount of bills of exchange (including treasury bills) drawn in or on any place in the United Kingdom and maturing within ninety days from the date of purchase, exclusive of days of grace; provided that no such purchase, sale or re-discount shall be made in India except with a scheduled bank or persons approved by the Central Board and duly notified in a list to be published in the Government of India Gazette; and

(c) the keeping of balance with the Bank of England.'"

The motion was negatived.

Mr. G. Morgan: Sir, I beg to move:

"That in sub-clause (3) (a) of clause 17 of the Bill, after the words 'scheduled banks' the words 'and persons approved by the Central Board' be inserted and after the word 'sterling' the words 'Telegraphic Transfers' be inserted."

After the reception of the previous amendment, the atmosphere is slightly chilly with regard to this particular point. The Honourable the Finance Member has already threatened that he has something to say on the subject. I can guess what it is, but, nevertheless, I should like to move my amendment. I want the point brought forward in this House and, even if it is not accepted, it will at any rate have brought this particular position before Honourable Members. The Honourable the Finance Member does not care very much for references to previous Bills and what was done in the past in other places with regard to other Bills, but I may mention that when discussing the Bill of 1927, the Joint

[Mr. G. Morgan.]

Committee discussed this very point and, by a considerable majority, retained the approved persons in that Bill. That privilege is enjoyed at present by persons approved by the Government of India.

Now, the reason for this amendment is that although there are strong objections—and I know there are objections from many quarters—the main objection is a banker's objection and had the terms of sub-clause (3) of clause 17, as they appeared in the Bill placed before the Select Committee, been approved by the Select Committee and come before this House in that form, it would have been very difficult for me to move an amendment of this description, unless it had also included the provision that those approved persons should come under all the terms which apply to scheduled banks, such as deposits and under clause 42. That was perfectly evident. But the Select Committee divided that clause into three parts, two of which pertain to what I am talking about. It divided it into three parts, (a), (b), and (c) and the (a) and (b) are the ones which pertain to my amendment. Having done so, the objections raised by bankers lose a considerable part of their force. But, at the same time, it did not entirely do away with the objections, because it was still possible to purchase and sell demand drafts, which is an ordinary day-to-day banking transaction. Now, in confining this amendment to telegraphic transfers, it would enable persons to be approved by the Central Board on the same principle as persons are now approved by the Government of India and they come under the heading of large exporters of produce in India. They very often are able to quote favourable rates for these remittances when Government call for tenders. The Central Board will be calling for tenders in the same way for Home remittances as is done by the Government of India today, and so on. The whole question is, should the Reserve Bank restrict its area of operations to a narrower degree than the area which is now enjoyed by the Government of India in calling for these particular tenders. That really, Sir, is all I have to say on this point. Telegraphic transfers are to a great degree treasury work and quite apart from ordinary day-to-day banking work. The definition that this is a banker's bank stands, and I do not think my amendment vitiates that particular heading. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved.

"That in sub-clause (3) (a) of clause 17 of the Bill, after the words 'scheduled banks' the words 'and persons approved by the Central Board' be inserted and after the word 'sterling' the words 'Telegraphic Transfers' be inserted."

The Honourable Sir George Schuster: Sir, this is one of the points in this Bill on which it is quite possible to find a great deal to be said on both sides. We discussed it at very great length in the Select Committee. We fully recognised the possible disadvantages of excluding certain firms with whom the Government now deal direct from purchasing and selling sterling and we came to this conclusion that it was the right principle to stand on, that dealings of that kind should be restricted to scheduled banks and we hoped that, by doing this, we should be offering an encouragement to Indian Joint Stock Banks to get into foreign exchange business. I might inform the House that at present there are certain firms with which we do business of this kind, but we find it rather an embarrassing position that there should be a

certain discretion vested in Government as to who should be included or not. The firms with which we do business are firms who have been on our list for a very long time and we are always getting applications from other firms to be added to the list. The only answer that we can give is that pending the consideration of the Reserve Bank, we are not going to add to the list; but it is very difficult, if one has any discretion at all, to know whom to refuse or whom to accept, and it always involves a certain amount of ill-feeling if one has to exercise a discretion of that kind. We think that the interests of the Bank or Government with their own remittance business will not suffer very severely by the exclusion of those few firms outside the scheduled banks who are now on our list. We think that it is the right principle and that we had, therefore, better start with the right principle straightaway from the beginning. On these grounds, Sir, I oppose the amendment.

Mr. President (The Honourable Sir Shammukham Chetty): The question is:

"That in sub-clause (3) (a) of clause 17 of the Bill, after the words 'scheduled banks' the words 'and persons approved by the Central Board' be inserted and after the word 'sterling' the words 'Telegraphic Transfers' be inserted."

The motion was negatived.

Mr. T. N. Ramakrishna Reddi: Sir, I beg to move:

"That in sub-clause (4) of clause 17 of the Bill, for the words 'ninety days' the words 'one hundred and eighty days' be substituted."

Sir, much of the internal trade and commerce has been carried on by means of cash credits granted by the various banks and also the co-operative banks. Of course, Government want to discourage this habit and want to introduce the bill habit in the country. It is a very laudable object, but we have to face the facts, and it will be very difficult to remove this habit of the people which has been going on for a long time. In the original Bill, it was provided that the loans should be granted only for a period of five years, but that proviso has been taken away, because the Select Committee itself felt that it was not possible for Indians to get away from that habit. This is what the Committee says:

"We have omitted the proviso because we consider that there is little likelihood of the bill habit developing within five years to such an extent as to make it possible to discontinue this practice within that time."

So the Committee itself has felt that it is not possible to remove this habit. But it has been felt that this three months' time given for cash credits is too short a period and it has been hampering the internal trade and commerce. So I have moved that 180 days should be substituted for 90 days.

Mr. President (The Honourable Sir Shammukham Chetty): Amendment moved:

"That in sub-clause (4) of clause 17 of the Bill, for the words 'ninety days' the words 'one hundred and eighty days' be substituted."

The Honourable Sir George Schuster: Sir, I must oppose this amendment. My Honourable friend has really advanced no reasons for extending this period which we consider adequate.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (4) of clause 17 of the Bill, for the words 'ninety days' the words 'one hundred and eighty days' be substituted."

The motion was negatived.

Dr. Ziauddin Ahmad: Sir, I beg to move:

"That in sub-clause (4) (d) of clause 17 of the Bill, after the words 'cash credit' the words 'or overdraft' be inserted."

It is only to clarify what is really intended in this Bill and it is only a verbal amendment in order to make it quite clear. There is no principle involved in this.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (4) (d) of clause 17 of the Bill, after the words 'cash credit' the words 'or overdraft' be inserted."

The Honourable Sir George Schuster: Sir, I have no particular objection to this amendment and I am prepared to accept it.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (4) (d) of clause 17 of the Bill, after the words 'cash credit' the words 'or overdraft' be inserted."

The motion was adopted.

Dr. Ziauddin Ahmad: Sir, I beg to move:

"That in sub-clause (7) of clause 17 of the Bill, for the word 'ten' the word 'five' be substituted."

If we hold a security which will mature in ten years, then it will not fetch a good value if money is required for some other purpose from the Bank. So it is always advantageous to possess a security which may mature at a shorter interval, and ten years is rather too long a period. Suppose we require to remit money to England for some reason and we hold a number of securities maturing in ten years. If we want to sell them, we will have to do so at a great loss and will have to pay a good deal of discount. It is always advantageous for a Reserve Bank to hold short term securities instead of long term securities. Long term loans are advantageous to the Government. For example, if Government are going to float a loan, it is always advantageous to have a long term loan so that they may be free from the bother of constant loans and thus know exactly their budgetary obligations. But, as regards banks, it is always advantageous for them to buy short term securities, so that, in case they require money immediately, they may get cash and meet their expenses. So I think it is a very reasonable demand. We do not want that the money should be deposited and locked up in these long term securities. The money may be required immediately and conditions may change. We know we are living in the days of a great economic deluge,

and we know that we have to pay about 50 millions every year to the United Kingdom. It is quite possible that the economic conditions may be clarified and the money may be required for some other purposes, or the financial condition may go down and the value of these securities also may go down and then we will be at a very great disadvantage. It is always advantageous to have short term securities and not long term securities; and it is for that reason that I suggest that the words "ten years" should be changed into "five years". These securities will mature at the end of five years, and five years is quite enough and a sufficiently long time: ten years is too long a period for the Reserve Bank to have a large number of these securities, because we do not know when the money will be required and we may be put to great disadvantage. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (7) of clause 17 of the Bill, for the word 'ten' the word 'five' be substituted."

The Honourable Sir George Schuster: Sir, we did not regard securities maturing within ten years as long term securities and we considered that five years was so short as to be likely to be unduly restrictive: after very careful consideration we have extended the period to ten years: I must oppose the amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is—

"That in sub-clause (7) of clause 17 of the Bill, for the word 'ten' the word 'five' be substituted."

The motion was negatived.

Mr. K. P. Thampan: Sir, I beg to move:

"That in sub-clause (9) of clause 17 of the Bill, the words 'or of such States in India' be omitted."

The provision, as drafted, enables the Reserve Bank to purchase and sell the securities not only of the Government of India and of the Provincial Governments and local bodies in British India, but also of Indian States. My object in moving this amendment is to leave out the States and to preclude the Bank from dealing in securities of Indian States. My reasons are these. There are in this country about 600 and odd Indian States, ranging from the big territories like that of His Exalted Highness the Nizam to the smallest State where the Ruler has only a few acres with an income of about Rs. 100. I am not casting any reflection on the credit or otherwise of these Indian States. Far be it from me to do so. At any rate, the occasion does not demand it. Instances of Indian States, whose loans have been repudiated, are not rare. Two years ago, I had occasion to put some interpellations with regard to the repudiation of a loan that was raised by the Bharatpur State. Your predecessor, Sir, disallowed those questions on the ground that they related to subjects outside the sphere of the Assembly. That is, however, beside the point; the Bharatpur State raised, on the security of its revenue, a loan of about Rs. 70 lakhs or so. After four or five years, the creditors were offered

[Mr. K. P. Thampan.]

the choice of accepting 40 or 30 per cent. of the money they had subscribed or losing everything, and the poor people had to close in with what was given. There were some British subjects also who lost their money in connection with this loan. Even yesterday, at question time, reference was made to the loan given to the Bahawalpur State, and it was said that the amount due from that State was about Rs. 12 crores; and, in the course of supplementary questions, the Honourable the Finance Member said that there were proposals to give loans to some other big States also. It was said that the administration of the Alwar State was about to collapse for want of finance; and, with a view to help the State, the Government of India are advancing to the extent of Rs. 25 lakhs. A year ago, nobody would have believed that the finances of Alwar were in a deplorable condition. None can say when these States become paupers. Though it is distinctly provided in this clause that such loans ought to be dealt in only on the recommendation of the Governor General in Council, I am afraid, it is not a sufficient safeguard, because the attitude of the Governor General in Council might depend upon the report of the Agent to the Governor General or the Political Secretary for the time being. With regard to the loan given to the Bahawalpur State, it was said that it was on the distinct recommendation of the Punjab Government that the Government of India gave its sanction: the Punjab Government thought that the irrigation project, for which the loan was raised, would be a nice scheme and that arid wastes in Bahawalpur would be converted into smiling fields and that crores and crores would flow into the State treasury. It proved to be an utter failure. So, we do not know what will happen in these Indian States and I do not want that the taxpayer's money should be wasted like that. I have strong feelings on this point and I request the House to drop the idea altogether. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (5) of clause 17 of the Bill, the words 'or of such States in India' be omitted."

Mr. B. R. Puri (West Punjab: Non-Muhammadan): Sir, there is just one aspect of this question which I wish to place before the House, that if you permit that certain States, whose financial position is approved by the Government of India, may be brought on that list whose securities would be acceptable, then you inadvertently perhaps are placing the other States, that are left out, in a very awkward financial position: you will then be drawing a certain amount of discrimination between their respective financial stability and you will be placing them in a very awkward position. I would ask the Honourable the Finance Member to give us some satisfactory explanation as to that contingency arising. That might not perhaps be in the best interests of those States. Therefore, I say, that either these States should be brought in whole-hog or they should be excluded altogether.

Diwan Bahadur A. Ramaswami Mudaliar: Mr. President, this particular suggestion was adopted at the instance of representatives of Indian States who met us on the London Committee. If we accept Provincial Governments, there is no reason why Indian States' Governments also

should not come in under the same qualifications especially when we remember that this Reserve Bank is intended to function in a Federated India. But it was realised that all States cannot be brought in. In the first place, the budgets of all States cannot be scrutinised in the same way as the budgets of Provincial Governments. There are no checks with reference to the budgets of many Indian States; but there are some States which have got a regular budget even as a Provincial Government has. In Mysore, for instance, or Travancore, these States are well regulated: they have got their budgets discussed in Legislative Councils: they are published and they are scrutinised and properly audited. Therefore, it was felt that there was a strong case to include some States at least. The difficulty arose as to where to draw the line, and then the suggestion was made that there should be two authorities who should approve of any particular State which can come in under this qualification: there is the first authority, the Central Board itself; and my friend, Mr. Thampan, has ignored that authority. The Government of India cannot put these States on the approved list unless there is a positive recommendation of the Central Board to the effect that they should be included . . .

Mr. K. P. Thampan: Does my Honourable friend forget the fact that the Governors of the Bank are creatures of the Government of India and the Government of India themselves are likely to be duped in this matter?

Diwan Bahadur A. Ramaswami Mudaliar: I am not forgetting that fact: but I am remembering another fact, that the Central Board does not consist of the Governor of the Bank alone: it consists of 14 Directors . . .

Mr. K. P. Thampan: What about the first Directors?

Diwan Bahadur A. Ramaswami Mudaliar: The first Directors are nominated by the Governor General in Council . . .

Mr. K. P. Thampan: There you are.

Diwan Bahadur A. Ramaswami Mudaliar: But I do not agree with my friend that they are going to be creatures of the Government. I expect—and I shall be very much surprised indeed if it does not happen—that some of them will turn out to be very strong critics of the Government which nominate them: I expect some of them will at least adopt an independent attitude of mind, an attitude which will not be palatable to the appointing authority itself. I have no doubt at all on that point. Then, the Central Board has to recommend, and it is only on that recommendation that the Government of India can consider whether the State can come into the list. I take it that, before the Central Board reports on a particular State, it will have facilities to examine the budgetary position of the State. In fact, we understood from the State representatives that they submit themselves to that condition otherwise the Central Board will merely say it has got no information or data at its command which will enable it to suggest whether the State should come in on the approved list or not. With these guarantees, I do not think that there is any danger, and I do not see how we can question the position that can be taken up by any such State that, when it is a unit of the Federation, it

[Diwan Bahadur A. Ramaswami Mudaliar.]

must enjoy the same facilities as any other unit of the Federation, provided it accepts and comes in under checks and guarantees which prevail with reference to a Provincial Government

Mr. K. P. Thampan: Has my Honourable friend read the proviso which is incorporated by the Joint Select Committee?

Diwan Bahadur A. Ramaswami Mudaliar: I have read the proviso and I do not think there is anything in that proviso which militates against that argument. Sir, I oppose the amendment.

Dr. Ziauddin Ahmad: I would just like to draw the attention of the House to one point only, and that is, what is the value of the recommendation either of the Government or of the Central Bank? Suppose the money cannot be realised by the Bank on account of non-fulfilment of certain expectations; then, who will have to pay the money? It is the tax-payers. So the security of the Government is practically the security of the tax-payer, and the recommendation of the Central Bank is still worse, because that is the recommendation of the Bank itself. So I think both these recommendations are not of great value. If the recommendation comes from some body from whom money could be realised, then there would be some meaning in it

Sir Cowasji Jehangir: Recommendation from the borrower?

Dr. Ziauddin Ahmad: The recommendation from the Government will only fall upon the tax-payers for whom they are legislating. Then, again, we are not talking of hypothetical cases, because we have got before us the cases of some Indian States who were given advances on the supposition that those advances would be recovered together with interest, but the expectations of Government have not been materialised. Now, in cases like these, who will bear the burden? The burden will surely fall on the poor tax-payers of British India.

There is also a very important point of law to be considered, and if my friend, Sir George Schuster, does not know it, perhaps his colleague, the Law Member, who is sitting by his side, knows, and it is this. Suppose there is any difficulty for the Bank to recover the money from a State, then, can the Bank file a suit against that State, and, if so, in what Court? Will it be in the State Court or the Federal Court or in an British Indian Court itself? If the suit is to be filed in the Court of the Indian State itself, then we all know what

Raja Bahadur G. Krishnamachariar: I strongly protest against it.

Mr. B. V. Jadhav: No suit can be filed against a ruler of an Indian State.

Dr. Ziauddin Ahmad: I think objection has been raised on two grounds, one is a technical objection that a suit cannot be filed in the Courts of Indian States, and, therefore, the case does not arise. This is a point of law on which I hope the Honourable the Law Member will enlighten us, that is to say, whether in case a State defaults to repay the advance in

time, a case can be brought against it, and, if so, in what Court, or how can the money be realised. That is a point on which we require enlightenment from the Law Member.

Then, the third thing is, whatever we might say here, it is an absolute fact that the general condition of Indian States is not the same as that of the British Provinces

Raja Bahadur G. Krishnamachariar: It is much better.

Dr. Ziauddin Ahmad: You are quite right, from certain points of view, the people are much better and much happier,—there is no doubt about that

Mr. B. V. Jadhav: At any rate the officials are.

Dr. Ziauddin Ahmad: Still, from the point of view of general administration, the position of Indian States is not the same as that of the British Provinces, and we cannot easily compare the Indian States with the British Provinces. It is very easy to realise money from the British Provinces, because there is a machinery by which money could be collected, but it is exceedingly difficult to realise money from Indian States on account of lack of machinery without going to extreme measures. Then, again, though this House has got control over provinces, it has no control over the Indian States. These are some of my difficulties on account of which I become very sceptic, and I think there is a good deal of force in the arguments of my friend, Mr. Thampan.

Raja Bahadur G. Krishnamachariar: Sir, I oppose this amendment. I am afraid it has been misconceived. As pointed out by my friend, Diwan Bahadur Mudaliar, this Reserve Bank is going to operate in a Federated India in which Indian States have got to come. Without the Indian States coming in, there is no Federation, and, without Federation, there is no Reserve Bank. Without these gentlemen coming in, there is no responsibility in the Centre. The whole thing becomes topsy-turvy if this one little amendment is accepted, because you want to exclude Indian States, and, without the Indian States, what is the point in all this paraphernalia of Federation and all that sort of thing? As has been pointed out, it is impossible to bring everybody into this circle, and I hope the finances of everybody will soon improve, I hope they will never come in for loans to the Reserve Bank. But, Sir, occasions do arise when they have got to borrow. It is perfectly true that there has been difficulty in a few cases, but one swallow does not make a summer. Do we not default in the repayment of loans? Do we become men of no credit simply because some of our loans have not been repaid? That is an absolutely untenable argument, and I submit, knowing as I do the way these things work, it is easier to realise money from Indian States than from the provinces, because the provinces never pay. Even Belgium and other countries have said they would be able to pay the war debts to America? Where can they file a suit? But, in a Native State, there is no difficulty, you can recover the money within 24 hours, whereas in the provinces there is a lot of difficulty which my friend will understand when he comes to the next Assembly. Therefore, I submit, this amendment is misconceived, and I hope my friend, the Mover, will withdraw it.

Mr. B. V. Jadhav: Will my friend the Raja Bahadur, say whether a suit can lie against a Native State?

Raja Bahadur G. Krishnamachariar: There is a provision similar to the provision in England that you first apply to the Government to issue . . .

An Honourable Member: That permission will not be given.

Raja Bahadur G. Krishnamachariar: That is the only provision by which action can be taken against an Indian State as in England. The Government of India must allow that suit to be filed, because it is the successor of the East India Company, and as the East India Company could be sued in certain cases, the same power had to be given for suing in the case of the present Government of India Act. If my friend would see the Rangoon case, where it was decided

Mr. President (The Honourable Sir Shanmukham Chetty): Order, order. The Honourable Sir George Schuster.

The Honourable Sir George Schuster: Sir, I must also oppose this amendment. I think several of those who have supported it have really spoken under a misconception. The purpose of this clause is to enable the Bank to buy securities of Indian States. Now, Sir, in the first place, I agree with those who have said that, looking to the future, we want to bring in the Indian States into the general financial field of India. In the second place, a clause of this kind will do a great deal to encourage principles of sound finance in the Indian States. It may encourage them to start going to the public for raising money by issuing securities, and there is no greater stimulus to sound finance than to have put one's credit to the test of a public market. Those who stand that test will have the added advantage that their securities are eligible for the Reserve Bank.

My friend, Mr. Thampan, sought to support his case by referring to the present position and he strongly expressed his objections against the Government of India advancing money to certain Indian States. Now, Sir, if Indian States are encouraged to issue loans to the public and have securities which are quoted in the market and which can be bought under this clause, there is nothing which is likely to do more to stop the present practice of their having to come to the Government of India to raise money whenever they need it. This is a far-seeing provision, and one which will really advance the objects and not retard the objects which lie behind the speech of my friend who moved this amendment. On these grounds, I oppose the amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (d) of clause 17 of the Bill, the words 'or of such States in India' be omitted."

The motion was negatived.

Mr. President (The Honourable Sir Shanmukham Chetty): It appears that Nos. 190 and 191 are consequential?

Mr. K. P. Thampan: No, Sir; they are not consequential, because clause 8 deals directly with such securities, I mean the loans issued by the States themselves. This proviso enables the State to guarantee the loans raised by local authorities and other bodies in the State, and, in that case, such loans will also be treated as the loans raised by the State. That is the difference between the previous amendment and this amendment. My reason for leaving out the States in sub-clause (8) has greater force in regard to the proviso. So, I move:

"That in the first proviso to sub-clause (8) of clause 17 of the Bill, the words 'or a State in India' be omitted."

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in the first proviso to sub-clause (8) of clause 17 of the Bill, the words 'or a State in India' be omitted."

The Honourable Sir George Schuster: I do not understand the difference between these two amendments, and, in any case, I oppose the present one.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in the first proviso to sub-clause (8) of clause 17 of the Bill, the words 'or a State in India' be omitted."

The motion was negatived.

Dr. Ziauddin Ahmad: Sir, I beg to move:

"That sub-clause (9) of clause 17 of the Bill be omitted."

I draw the attention of the House to the report of the majority of the Select Committee on this sub-clause. The report says:

"We have not restricted the operation of this sub-clause to scheduled banks or public authorities because we consider that there might be cases in which such restriction would operate inconveniently in practice. At the same time we wish to make it clear that in our view this power should not be exercised by the Bank so as to compete in its normal business with the commercial business of other banks. It should be the duty of the Government to watch this and to see that the interests of other banks are in practice protected."

This sub-clause appears to me to be quite unnecessary in view of sub-clause (11) (c) which is to the effect:

"the collection of the proceeds, whether principal, interest or dividends, of any securities or shares."

In view of the recommendation of the majority of the Select Committee and also in view of the provision which already exists in sub-clause (11) (c), it is unnecessary, and, in any case, if it exists in the present form there is an apprehension that it will compete with scheduled banks. If it is meant to restrict it only to the collection of proceeds, then sub-clause (11) (c) is sufficient and this sub-clause is not required, but if it goes a little further, then it will be competing with the scheduled banks. On these two grounds, I propose that sub-clause (9) be deleted.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That sub-clause (9) of clause 17 of the Bill be omitted."

Mr. Bhuput Sing: I oppose the amendment moved by Dr. Ziauddin Ahmad. Supposing a man has got valuables which he desires to be kept in safe custody, I do not see any reason why should we deprive him of the privilege of keeping his valuables in the custody of the safest authority in the country? Besides, the Reserve Bank will never pay any interest on any deposit; on the contrary, it will only evoke criticism from the public if they are debarred from keeping their valuables or hoardings in the safe custody of the Bank. I oppose the amendment.

Mr. E. Studd (Bengal: European): I think there is no doubt that a provision of this kind has caused a certain amount of apprehension in banking circles in the country, that it might in fact lead to the Reserve Bank competing with commercial and indigenous banks in their ordinary business. I do not go quite so far as the Mover of this amendment, for I realise that it is quite possible that there may be exceptional circumstances which would make it advisable that this power should be included as one of the forms of business which the Reserve Bank might transact. But it would most certainly reassure and largely dispel those apprehensions in banking circles, if the Finance Member would make it perfectly clear that as far as possible the recommendations of the Joint Select Committee will be adhered to and that the provisions of this particular sub-clause will only be used in very exceptional cases.

The Honourable Sir George Schuster: Sir, I have no hesitation in giving my Honourable friend who has just spoken the assurance that that is our intention in proposing this measure and that we will do our best to see that the recommendation made by the Committee is brought to the attention of the Board of the Bank and kept before them. I must oppose this amendment for omitting this sub-clause, and again I must say that I find it extremely difficult to follow the workings of the mind of the Honourable Member who moved the amendment. He seemed to connect this sub-clause in some way or other with sub-clause (11) (c). But sub-clause (11) merely refers to "the acting as agent for the Secretary of State in Council, the Governor General in Council or any Local Government or local authority or State in India in the transaction of any of the following kinds of business, namely . . .". Sub-clause (9) deals with "the custody of monies, securities and other articles of value, and the collection of the proceeds, . . ." on behalf of any member of the public. The point which caused some concern to the banking representatives whom I have seen was the custody of securities. They were apprehensive that if the Reserve Bank entered into the business of keeping securities for its clients, it might easily develop into the collection of dividends, the effecting of purchases and sales and all sorts of matters connected with the investment of money which they themselves, at least several of them, have organised trustee departments to manage. That is what we had particularly in mind in making our recommendation. We did not see any objection to the Bank taking over the mere custody of certain valuables, but if, by virtue of having undertaken that custody, the Bank was then to extend its functions to the sort of transactions which I have mentioned, then we

felt that that would be going beyond the spirit of the proposal and that the Bank would really be entering into objectionable competition with commercial banks. That, Sir, is what we shall do our best to make clear to the Board of the Bank when they are first established. I hope that that will reassure my Honourable friend, Mr. Studd; otherwise I must oppose this amendment.

Sir Cowasji Jehangir: May I just add one more suggestion which was made in the Committee and it may be repeated here? It is, that the officer of Government who will be nominated to the Board of the Central Bank will watch this from year to year and that the attention of the Board will be continually drawn to this by the officer who will represent the Government on the Board?

The Honourable Sir George Schuster: I am very glad that my Honourable friend has reminded me and the House of that.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That sub-clause (2) of clause 17 of the Bill be omitted."

The motion was negatived.

Mr. V. K. Aravamudha Ayangar (Government of India: Nominated Official): Sir, I beg to move:

"That at the end of sub-clause (13) of clause 17 of the Bill, the following be added:

'or any international bank formed by such banks, and the investing of the funds of the Bank in the shares of any such international bank'."

The present sub-clause (13) provides for co-operation between the Reserve Bank of India and other Central Banks, but there is no provision in the Bill for co-operation between the Reserve Bank of India and an International Bank like the Bank of International Settlements which has been formed by other Central Banks. This omission is probably due to the fact that the Bank of International Settlements was not in being when the original Bill was being discussed and that omission continued throughout. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That at the end of sub-clause (13) of clause 17 of the Bill, the following be added:

'or any international bank formed by such banks, and the investing of the funds of the Bank in the shares of any such international bank'."

Mr. S. C. Sen: May I point out that the words "international bank" has not been defined and we do not know what is meant by an international bank?

An Honourable Member: Is this a new sub-clause?

Mr. President (The Honourable Sir Shanmukham Chetty): This is not a new sub-clause. This is a further addition to sub-clause (13). Sub-clause (13) says:

"The opening of an account with or the making of an agency agreement with, and the acting as agent or correspondent of, a bank which is the principal currency authority of any country under the law for the time being in force in that country."

And then it will run on:

"or any international bank formed by such banks, and the investing of the funds of the Bank in the shares of any such international bank."

The question is:

That at the end of sub-clause (13)

Dr. Ziauddin Ahmad: Sir, I want to speak.

Mr. President (The Honourable Sir Shanmukham Chetty): If the Honourable Member is absent minded, the Chair cannot help him. The Honourable Member did not get up when I allowed Mr. Sen to ask a question. Dr. Ziauddin Ahmad.

Dr. Ziauddin Ahmad: By this amendment we are asked to start a new policy altogether. It is not the co-operation between the international banks that is asked for. As my friend said, it was really the power to purchase the shares of such international bank and to invest the funds of the Bank. This is a new thing altogether and it was never brought before any Committee. It was not considered by the Select Committee and it has been suddenly sprung upon us as a surprise. My friend said in his modest way that we want to co-operate with the international banks. That is something very different from purchasing the shares of those banks. This is an undertaking which was never dreamt of. We do not know the working of these international banks and the position of this bank may become very precarious. I know very well that this thing will be worked by a few capitalists. We know the instance of the Alliance Bank which invested money in foreign banks and brought it to ruin. This is an entirely new procedure that we are adopting and I do not think it is fair that this thing should be brought in quietly by my Honourable friend who sits behind the Finance Member. The whole day he is solving obtruse problems, such as if eight persons are speaking at 8 o'clock, how many persons are speaking at 10 o'clock? The Select Committee had no opportunity to discuss it and it is not fair to bring this forward. The Honourable gentleman has got votes in his pocket on every question and, even if the Government propose that the Members of the Legislature should resign within one hour, I am certain that Government will win the motion. We have already given our benediction to the proposal that the Members of the Assembly should not become Directors and thus we curtailed our own powers. It is not fair that a new principle should be introduced so abruptly taking a wrong advantage of the minority of the opposition. So I request the Honourable the Finance Member to consider this very carefully, not to take the wrong advantage of the position in which we are placed and try to rush this Bill through. Another thing is that the phrase "international bank formed by such banks" is very vague and it is not fair to do this in this manner and I repeat what I said before "give us flies to devour and not buffaloes and elephants to swallow".

The Honourable Sir George Schuster: It is quite obvious, that my Honourable friend has been taken by surprise, but it is not quite obvious why he has been taken by surprise. This amendment sheet is dated the 18th December and it is now the 15th of December. My Honourable friend has had plenty of time to study it and if he thought that, it was such a nefarious proposal, he surely might have approached me in the matter and asked for an explanation.

Dr. Ziauddin Ahmad: Was it discussed in the Committee?

The Honourable Sir George Schuster: It was not for the reasons explained by my Honourable friend, the Mover of this amendment. It escaped our notice when we were proposing this Bill and we thought it was an omission which ought to be filled in. My Honourable friend's suspicions are quite unfounded. The amendment refers to any "international bank formed by such banks", being the Central Banks of the various countries. There is, as a matter of fact, only one Bank in the world that answers to that description and that is the Bank of International Settlement. My Honourable friend says that no Reserve Bank in the world is entitled to buy shares of a Bank of that kind, but, as a matter of fact, that Bank was formed by the Central Banks of the world, all of them taking up its shares. Does my Honourable friend wish to say that India alone must be excluded from this general act of co-operation, this purpose of forming an International Central Bank which might help the international financial co-operation of the world—that is the purpose of his speech, that India alone should stand aside from all countries, not joining in or co-operating in a common effort of this kind. Sir, there is no risk involved in this; there could not be any question of investing large funds in a Bank of that kind. India, in any case, would only get a proportionate amount, proportionate to other countries, and I submit that this is an omission—not of great importance—but a definite omission which ought to be filled up.

Mr. Gaya Prasad Singh: Sir, I do not think a provision like this existed in the Reserve Bank Bill of 1927-28. There was no such provision in that Bill. This matter was also not discussed in the London Committee's Report I think.

The Honourable Sir George Schuster: As far as I know, there was no Bank of International Settlements at that time.

Mr. Gaya Prasad Singh: Then what prevented my Honourable friend from inserting it in the original draft of this Bill?

The Honourable Sir George Schuster: Mere negligence.

Mr. Gaya Prasad Singh: Then the Select Committee had no opportunity of discussing it. It has been really sprung as a surprise upon us. My Honourable friend, the Finance Member, has the happy consciousness that he has got the majority of votes behind him and that is why he talks lightheartedly of the observations and amendments which proceed from this side of the House. The reason is that the boycott by the Indian National Congress of the Central Legislature responsible for the sort of opposition which we are able to offer to some of the measures of the

[Mr. Gaya Prasad Singh.]

Government, and even those of us, who are here, do not care to attend to our duties, and that is one of the reasons why my Honourable friend is taking things lightheartedly. Sir, my friend, Dr. Ziauddin Ahmad, was quite right in saying that this was sprung as a surprise upon us. My friend, the Finance Member, says that this amendment paper, which was circulated, is dated 13th December. Now, we receive such papers late at night, and then the next morning, the 14th, was the only day on which we could look into it. My Honourable friend, the Finance Member, asked, why did not Dr. Ziauddin approach him privately for an explanation? Sir, I do not think Dr. Ziauddin or any Member on this side of the House has any time to approach the Finance Member privately and ask for enlightenment on particular amendments. Even here we have no time to approach him. Has he got any time to consult us privately? The Honourable Member, therefore, is not quite fair to expect that we should approach him privately for enlightenment on particular amendments which he or his henchmen sitting behind him can vouchsafe to us. Sir, with regard to the Bank of International Settlements, if the explanation of the Honourable the Finance Member is to be accepted. . . .

Mr. F. E. James (Madras: European): Do you not believe his explanation?

Mr. Gaya Prasad Singh: My Honourable friend said something about the International Bank. Sir, we have got an example in the League of Nations of which India is a partner. Now, I ask, what advantage do we get from it; and what advantage can we have from this International Bank? We have not yet started our Reserve Bank. How will it fit in? Sub-clause (13) of this clause says:

"the opening of an account with or the making of an agency agreement with, and the acting as agent or correspondent of, a bank which is the principal currency authority of any country under the law for the time being in force in that country . . ."

The Honourable Sir George Schuster: Sir, if it would stop my Honourable friend speaking, I am perfectly prepared to withdraw this amendment.

Mr. Gaya Prasad Singh: If my Honourable friend is prepared to withdraw this amendment, I think he will do a good thing and he will stop further discussion.

Mr. President (The Honourable Sir Shanmukham Chetty): Is the Honourable Member prepared to withdraw?

The Honourable Sir George Schuster: I was speaking in jest. I was suggesting to my Honourable friend that his speech was showing rather unnecessary fire; but we ourselves attach no particular importance to this, we merely think it is a gap that ought to be filled up.

Mr. Gaya Prasad Singh: There are many other points. If we work this Bank and we find there is any lacuna, well, an amending legislation might come in later on. Why not leave the Bill as it stands, and then, if we find that we cannot do without a clause like that, it will be quite open to the Government to bring in an amending legislation six months or

one year after the passage of this Bill. I would seriously ask the Honourable the Finance Member not to take lightly the fact that we are in a hopeless minority in this House.

The Honourable Sir George Schuster: Sir, I must confess I thought my Honourable friend was not speaking seriously. I thought his indignation was faked when I made him a suggestion, but I think this is a matter which should be decided by the House and if my Honourable friend, who opposed the amendment, first thinks that we are taking advantage of having votes in our pocket, I am perfectly prepared to say that on this amendment the Government Members will not vote at all, and to leave it to be decided by the rest of the House.

Mr. Muhammad Yamin Khan (Agra Division: Muhammadan Rural): Sir, although I do not agree with a great deal of what my Honourable friend, Dr. Ziauddin Ahmad, has said. I think since an amendment like this slipped through the mind of the Government at the time when the Joint Select Committee was sitting, and as it looks as if it is not a very important or very urgent kind of amendment, it would be much better if it is left over for the future if any practical difficulty is felt. As far as I can make out, the Reserve Bank is not coming into existence for some months, it may take about one year. . . .

The Honourable Sir George Schuster: As this would appear to be exciting criticism in other quarters also and Honourable Members are speaking seriously, I suggest that I should ask the House through you, Sir, for leave to withdraw the motion. It is a matter of no importance.

Several Honourable Members: No, no.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair does not think that the House should waste its time in discussing whether the Honourable Member should be allowed leave to withdraw the motion. Probably, the wording of the amendment, in its present form, has raised false apprehensions. The Bank for International Settlements is a Bank which was formed by capital subscribed by the other Central Banks of the world and the shares are allotted to the various Central Banks in proportion to the capital and importance of each particular Central Bank. It does not mean that the Reserve Bank of India will be allowed simply to purchase the shares of such International Bank as a matter of investment, but the Reserve Bank will, it is understood, take the step only if the Reserve Bank is also going to be benefitted by the Bank of International Settlements and the other Central Banks of the world also come forward and contribute their own quota. That appears to be the sum and substance of this amendment; but evidently there is some apprehension in the minds of Honourable Members and if the Honourable Members are not satisfied, what the Chair would suggest is that they may think over this matter and the Chair would hold over this particular amendment. When the Chair finds that there is a serious misapprehension and misunderstanding it is its duty to intervene and explain the position. If it is the general desire, then the House can hold over this one amendment and take it up

[Mr. President.]

tomorrow and the House can pass on to the other clauses. The Chair has no objection to do that. We do not want to waste the time of the House in discussing whether the Government should be allowed to withdraw it or not.

Mr. F. E. James: I think, Sir, we objected to this being withdrawn, because we felt that the real objection to this amendment from the other side was to the effect that it had been introduced only two days ago and they wanted a longer time to consider the matter. We understood that was the real root of the objection of my Honourable friend, Dr. Ziauddin. Therefore, I suggest that if the Honourable the Finance Member is willing, your suggestion be accepted and we may take up this matter tomorrow.

Mr. Muhammad Yamin Khan: Sir, when I was speaking, I simply stopped, because the Honourable the Finance Member. . . .

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair would ask the Honourable Member not to go into the merits, but only to give his ideas as to what he thinks the correct procedure to be.

Mr. Muhammad Yamin Khan: Although I am not averse to the suggestion which you, Sir, have thrown out, namely, that this amendment be discussed tomorrow, I was telling the Government that it is unnecessary to put it now and I think they accepted it. Besides, when we are not going to have the Reserve Bank for about a year, there is no chance of purchasing the shares until the Reserve Bank comes into existence. So, if we find that, after a year or six months, the Bank has come into existence, we can have the thing done. There is no urgent necessity to have this clause in the Bill at present. It will be absolutely unnecessary to have it now. I do not know why my friend, Mr. James, is objecting to this procedure. If the House and the Government agree to withdraw it, we can have a little more time for which we are hard pressed.

The Honourable Sir George Schuster: I venture to suggest that it would be in the interests of the progress of this measure if I were to withdraw this amendment. It is a matter of no great importance. Our time is very short. If Honourable Members wish to discuss it fully, I suggest that it be left over to be dealt with by an amendment later on.

Mr. President (The Honourable Sir Shanmukham Chetty): Has the Honourable Member the leave of the House to withdraw his amendment? (*Some Honourable Members:* "No.") The amendment can be withdrawn only by the unanimous consent of the House.

The question is:

"That at the end of sub-clause (13) of clause 17 of the Bill, the following be added:

'or any international bank formed by such banks, and the investing of the funds of the Bank in the shares of any such international bank'."

The Assembly divided:

AYES—54.

Abdul Aziz Khan Bahadur Mian.
Ahmad Nawaz Khan, Major Nawab.
Anwar-ul-Azim, Mr. Muhammad.
Ayangar, Mr. V. K. A. Aravamudha.
Bajpai, Mr. G. S.
Bhore, The Honourable Sir Joseph.
Bower, Mr. E. H. M.
Chatarji, Mr. J. M.
Clow, Mr. A. G.
Cox, Mr. A. R.
Dalal, Dr. R. D.
Dash, Mr. A. J.
DeSouza, Dr. F. X.
Dillon, Mr. W.
Graham, Sir Laucelot.
Grantham, Mr. S. G.
Haig, The Honourable Sir Harry.
Hezlett, Mr. J.
Hudson, Sir Leslie.
Ishwarsingji, Nawab Naharsingji
James, Mr. F. E.
Jawahur Singh, Sardar Bahadur
Sardar.
Jehangir, Sir Cowasji.
Joshi, Mr. N. M.
Lal Chand, Honv. Captain Rao
Bahadur Chaudhri.
Lee, Mr. D. J. N.
Mackenzie, Mr. R. T. H.
Macmillan, Mr. A. M.

Metcalfe, Mr. H. A. F.
Millar, Mr. E. S.
Milligan, Mr. J. A.
Mitter, The Honourable Sir Brojendra.
Mody, Mr. H. P.
Morgan, Mr. G.
Mudaliar, Diwan Bahadur A.
Ramaswami.
Mujumdar, Sardar G. N.
Mukherjee, Rai Bahadur S. C.
Noyce, The Honourable Sir Frank.
Rafiuddin Ahmad, Khan Bahadur
Maulvi.
Raisman, Mr. A.
Rajah, Rao Bahadur M. C.
Ramakrishna, Mr. V.
Rau, Mr. P. R.
Schuster, The Honourable Sir George.
Scott, Mr. J. Ramsay.
Sher Muhammad Khan Gakhar,
Captain.
Singh, Kumar Gupteshwar Prasad.
Singh, Mr. Pradyumna Prashad.
Sinha, Rai Bahadur Madan Mohan.
Smith, Mr. R.
Studd, Mr. E.
Tottenham, Mr. G. R. F.
Trivedi, Mr. C. M.
Yakub, Sir Muhammad.

NOES—13.

Bhuput Sing, Mr.
Dutt, Mr. Amar Nath.
Ismail Ali Khan, Kunwar Hajee.
Mitra, Mr. S. C.
Neogy, Mr. K. C.
Pandya, Mr. Vidya Sagar.
Parma Nand, Bhai.

Puri, Mr. B. R.
Sadiq Hasan, Shaikh.
Sarda, Diwan Bahadur Harbilas.
Sen, Mr. S. C.
Singh, Mr. Gaya Prasad.
Ziauddin Ahmad, Dr.

The motion was adopted.

Dr. Ziauddin Ahmad: Sir, I beg to move:

"That the provisos to sub-clause (14) of clause 17 of the Bill be omitted."

Sir, the provisos run:

"Provided that no money shall be borrowed under this clause from any person in India other than a schedule bank, or from any person outside India other than a bank which is the principal currency authority of any country under the law for the time being in force in that country:

Provided further that the total amount of such borrowings from persons in India shall not at any time exceed the amount of the share capital of the Bank."

Sir, the share capital of the Bank is really a very trifling part of the capital of the Bank. I have always called this share capital like *nimboo* and the shareholders like *nimboo-nichora*. The real capital is the capital of the tax-payers of India and, I think, in which case the business should be restricted only to the shareholders, but it may be extended to the limit that may be necessary in the interest of the Bank and the interest of the tax-payer. Sir, I move.

The Honourable Sir George Schuster: I oppose this amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That the provisos to sub-clause (14) of clause 17 of the Bill be omitted."

The motion was negatived.

Mr. B. Sitaramaraju (Ganjam *cum* Vizagapatam: Non-Muhammadian Rural): Sir, I have got one doubt with regard to sub-clause (16) of clause 17. Sub-clause (16) says:

"Generally, the doing of all such matters and things as may be incidental to or consequential upon the exercise of its powers or the discharge of its duties under this Act."

That, I think, might cover the one which we have in view. I should like to have your ruling on the point.

Mr. President (The Honourable Sir Shanmukham Chetty): If the Honourable Member's amendments giving the scheme of rural credit are accepted by this House, then by virtue of those provisions finding a place in this Act, the Reserve Bank will be entitled under sub-clause (16) of clause 17 to transact that class of business.

The question is:

"That clause 17, as amended, stand part of the Bill."

The motion was adopted.

Clause 17, as amended, was added to the Bill.

Clause 18 was added to the Bill.

Clause 19 was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 20 stand part of the Bill."

Dr. Ziauddin Ahmad: Sir, I beg to move.

"That in clause 20 of the Bill, after the words 'provincial revenues' the words 'and such States in India as may be approved of and notified by the Governor General in Council in the Gazette of India' be inserted."

This amendment was originally given notice of by Mr. Vidya Sagar Pandya and it was handed over to me and I move it.

The Honourable Sir George Schuster: I have no particular objection to this amendment myself.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in clause 20 of the Bill, after the words 'provincial revenues' the words 'and such States in India as may be approved of and notified by the Governor General in Council in the Gazette of India' be inserted."

The motion was adopted.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 20, as amended, stand part of the Bill."

The motion was adopted.

Clause 20, as amended, was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 21 stand part of the Bill."

Dr. Ziauddin Ahmad: I beg to move:

"That for the proviso to sub-clause (7) of clause 21 of the Bill, the following be substituted:

'Provided that nothing in this sub-section shall prevent the Governor General in Council or any Local Government from carrying on money transactions with any Scheduled Bank or if there is no branch of any Scheduled Bank with any other Bank or the Government treasury or the sub-treasuries, at places where the Bank has no branches or agencies, and the Governor General in Council and Local Governments may hold at such scheduled or other banks or at such treasury or sub-treasuries such balances as they may require'."

The intention of this amendment is that the Imperial Bank should not be considered as the sole agents of the Reserve Bank, but that the other scheduled banks as well as their branches should also get the business of the Reserve Bank. Probably we will discuss it at some later stage that no special privileges should be conferred on the Imperial Bank. It should be treated on the same footing as other banks in India. My intention is that all the scheduled banks should be placed on the same level and, that they should be given equal privileges and the Reserve Bank should treat all of them alike. That is the intention of this proviso.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved.

"That for the proviso to sub-clause (7) of clause 21 of the Bill, the following be substituted:

'Provided that nothing in this sub-section shall prevent the Governor General in Council or any Local Government from carrying on money transactions with any Scheduled Bank or if there is no branch of any Scheduled Bank with any other Bank or the Government treasury or the sub-treasuries, at places where the Bank has no branches or agencies, and the Governor General in Council and Local Governments may hold at such scheduled or other banks or at such treasury or sub-treasuries such balances as they may require'."

Diwan Bahadur A. Ramaswami Mudaliar: I should like to explain the purpose of this amendment. Wherever there is a branch of the Imperial Bank, that automatically becomes the agent of the Reserve Bank. Therefore, there is no question of excluding the branches of the Imperial Bank from this right of holding the balances of the Government of India and the Local Governments. What the proviso says is that, where there is no branch of the Reserve Bank and no agency of the Reserve Bank like the Imperial Bank, then, instead of keeping their balances in their own treasury, they might put them in any of the scheduled banks. I understand

[Diwan Bahadur A. Ramaswami Mudaliar.]

that is the purpose of my Honourable friend, Mr. Pandya. It does not at all come into competition with the Imperial Bank. In fact, where the Imperial Bank branch exists, the Provincial Government and the Government of India are bound to keep their balances with such Imperial Bank as it is the agent of the Reserve Bank, but where there is no Reserve Bank and no branch of the Reserve Bank and no agency functioning, either in the form of the Imperial Bank or in the form of any scheduled bank, then the Local Governments or the Government of India may keep their balances with any of the scheduled banks. I do not agree to such an amendment.

Sir Cowasji Jehangir: Sir, this is an important point when you come to consider it in connection with the provisions made or the undertakings given that the Reserve Bank can, where there is no branch of the Imperial Bank, make any branch of any scheduled bank their agent. Therefore, if there is any demand for a branch in any place, where there is no branch of the Imperial Bank, by the Government of India or by a Local Government, a branch of a scheduled bank can be made the agent of the Reserve Bank. This amendment, therefore, is unnecessary.

Mr. Muhammad Yamin Khan: Clause 6 gives ample power to the Bank to have agencies and, therefore, this is absolutely unnecessary.

Mr. T. N. Ramakrishna Reddi: Sir, I support this amendment and I do not see any justification for the interpretation put by my Honourable friend, Sir Cowasji Jehangir. There are many places in India where there are no branches of the Imperial Bank or it may not be possible for the Reserve Bank to open branches in all the places. There are many towns and many cities without branches of the Imperial Bank and we do not know whether the Reserve Bank will be able to establish branches in all the places. Hence there is absolutely no reason why business should not be entrusted to any scheduled bank or its branches if they happen to exist in those places. We should not give a monopoly to the Imperial Bank alone to carry on this agency and, in order to break this monopoly at least, we must accept this amendment.

Mr. S. C. Mitra: Sir, it has been said that this provision is unnecessary, but if it can be shown to us under what clause of the Bill this power is given to the Reserve Bank, where there is no branch of the Imperial Bank, to employ any other scheduled bank or other banks as their agents, then we will certainly agree that it is useless.

Mr. Muhammad Yamin Khan: It is in clause 6. My friend will allow me to read:

"The Bank shall, as soon as may be, establish offices in Bombay, Calcutta, Delhi, Madras and Rangoon, and may establish branches or agencies in any other place in India", etc.

This was discussed in full and "agencies" was meant to cover not only the Imperial Bank, but any other bank, and the word "agencies" has been purposely put in just to include those places which are under contemplation in this amendment.

Mr. S. O. Mitra: My Honourable friend, Mr. Yamin Khan, means that they can establish agencies and that they have power under that clause to accept any other banks as agents where there is no branch of the Imperial Bank. If that is conceded, then I agree that there is no necessity for it. But I should like to have an assurance from Government as to its meaning.

The Honourable Sir George Schuster: Sir, this amendment is contrary to the whole idea of this Bill which is that the dealings by Government with other banks should be through the Reserve Bank. If the Government wish to keep a balance anywhere and there is no branch of the Imperial Bank there as its agent, but there is a branch of a scheduled bank in that place, then the Reserve Bank would appoint that scheduled bank as its agent. And the whole idea is that the Central Government and the Local Governments, when they come to have the custody of their own monies, should deal only with the Reserve Bank. They can keep balances in other banks only indirectly, through the Reserve Bank. That is the position and after all the explanation that many people have given us as to the purpose of this amendment, I still remain in some doubt as to why it has been moved.

Mr. N. M. Joshi: Sir, I think it is wrong to allow Government to put in their money belonging to the public in any bank which is not sufficiently controlled by Government. My own view is that there is no sufficient Government control over the Reserve Bank which we are establishing, nor sufficient control over the Imperial Bank, but to allow Government to put in public money in any bank which is in no way responsible to Government is absolutely reckless.

The Honourable Sir George Schuster: But may I point out to my Honourable friend that the Reserve Bank will remain responsible? The Reserve Bank may appoint another bank as its agent in a particular place, but the Reserve Bank will remain responsible and the Government's dealings will only be with the Reserve Bank.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That for the proviso to sub-clause (7) of clause 21 of the Bill, the following be substituted:

'Provided that nothing in this sub-section shall prevent the Governor General in Council or any Local Government from carrying on money transactions with any Scheduled Bank or if there is no branch of any Scheduled Bank with any other Bank or the Government treasury or the sub-treasuries, at places where the Bank has no branches or agencies, and the Governor General in Council and Local Governments may hold at such scheduled or other banks or at such treasury or sub-treasuries such balances as they may require.'

The motion was negatived.

Dr. Ziauddin Ahmad: Sir, I beg to move:

"That sub-clause (7) of clause 21 of the Bill be omitted and a new clause be inserted after clause 21:

'21A. Any agreement made under this Act to which the Governor General in Council or any Local Government or Indian State is a party shall be laid, as soon as may be after it is made, before the Central Legislature and in the case of a Local Government before its Local Legislature also.'

[Dr. Ziauddin Ahmad.]

Sir, in clause 21 (4), it is said:

"Any agreement under this section to which the Governor General in Council is a party shall be laid before the Central Legislature as soon as may be after it is made."

This provision is restricted to any kind of negotiations or money transactions between the Reserve Bank and the Governor General in Council. But if any transaction is made by a Provincial Government, there is no provision about the permission and I say that if any transaction is made between a Local Government and the Reserve Bank, in that case also we should have the permission of both the Provincial Legislature concerned and the Central Legislature, because, after all, the money belonging to the Provincial Government is as sacred as money belonging to the Central Government. We have to make provision in the case of the Central Government that the permission of the Central Legislature is necessary. But I think it is very desirable that we should make similar safeguards for the constituent provinces and States which will in future form the Federation of India. If we look after the welfare of the Federation as a whole, it is our duty to look after the welfare of the units forming the Federation. Therefore, this is really quite in keeping with the principle that, whatever we consider good enough for the Government of India, we should also consider good enough for the Provincial Governments and the Indian States. The amendment I am proposing is, therefore, quite in keeping with the principle of this proviso, and the benefits reserved for the Government of India finances should be extended to the Provincial Governments and the Indian States which in future will form part of the Federation. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That sub-clause (4) of clause 21 of the Bill be omitted and a new clause be inserted after clause 21:

"21A Any agreement made under this Act to which the Governor General in Council or any Local Government or Indian State is a party shall be laid, as soon as may be after it is made, before the Central Legislature and in the case of a Local Government before its Local Legislature also."

The Honourable Sir Brojendra Mitter (Law Member): Sir, I find some difficulty in understanding this amendment, and am speaking only for the purpose of eliciting information from my Honourable friend who moved the amendment. The amendment says: "or Indian State". How can you compel an Indian State to do anything?

Dr. Ziauddin Ahmad: I am quite prepared to omit those words.

The Honourable Sir Brojendra Mitter: Then how can you compel a Local Government to lay anything before its Local Legislature or the Local Legislature to accept it? Supposing a Local Government does not do it, how can you compel it? Where is the provision for that? I can well understand, if the Government of India make default, you can pass a resolution or do something to compel them to take a particular action; but, in the case of inaction of a Local Government, what jurisdiction will the Central Legislature have? That is the difficulty I feel . . .

Sir Gowasji Jahangir: May I ask whether we are not giving power in this Bill to the Local Government to make agreements with the Reserve Bank? Cannot we provide that, if they do make such an agreement, then they shall place that agreement before the Local Legislatures?

The Honourable Sir Brojendra Mitter: My difficulty is this: is it any good making a provision which you cannot enforce?

Mr. President (The Honourable Sir Shanmukham Chetty): The Local Legislature will enforce it, just as this Legislature will enforce a provision with regard to the Government of India: when the Local Legislature is aware of such a power, they will enforce it as against the Local Government.

The Honourable Sir Brojendra Mitter: If the intention be giving mere instruction to the Local Legislature, then it may not be effective.

An Honourable Member: Why is it not practical?

Mr. S. C. Sen: Sir, I may be permitted to point out that sub-clause (2) of clause 21 provides:

"The Governor General in Council and each Local Government shall entrust the Bank, on such conditions as may be agreed upon, with the management of the public debt and with the issue of any new loans."

Here we are making it incumbent on the Local Government to entrust the management of their public debt with the Reserve Bank. Here is a provision which has been embodied in this Act under which, whatever the constitution of the Local Government in future may be, we are compelling them to entrust the Reserve Bank with their public debt. Cannot we then say that the Local Governments should also put before the Local Legislature the agreement which they make with the Reserve Bank?

The Honourable Sir Brojendra Mitter: We can say anything.

Mr. S. C. Sen: Under these circumstances, I do not think that the Honourable the Law Member has made his position clear. With these observations, I support the amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That sub-clause (4) of clause 21 of the Bill be omitted . . ."

Sir Cowasji Jehangir: It will have to be amended, Sir, by leaving out the words "Indian States".

Mr. President (The Honourable Sir Shanmukham Chetty): The first amendment is:

"That the words 'or Indian State' in the amendment of Dr. Ziauddin Ahmad be omitted."

The motion was adopted.

The Honourable Sir George Schuster: Sir, there is one point which I would like to put to you, that, by making it a separate clause, it would refer to the whole Act and not merely to clause 21. An agreement as defined in those circumstances would be very dangerously wide. I do not know why my Honourable friend wishes to make it a separate clause.

Sir Cowasji Jehangir: You can amend it by putting it as sub-clause (4).

Mr. President (The Honourable Sir Shanmukham Chetty): Why does the Doctor want it as a separate clause 21A? He could omit sub-clause (4) and substitute this for the existing sub-clause.

Mr. Vidya Sagar Pandya (Madras: Indian Commerce): It ought to be "21 (4)": it is a mistake of office.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair would ask Honourable Members not to lightheadedly say it is the mistake of the office.

The Honourable Sir George Schuster: I must put it to you, Sir, that it is not a mistake in printing, because I think my Honourable friend's purpose was to make it apply to any agreement, because he says "any agreement made under this Act", and the sub-clause which it replaces says "any agreement made under this section". I would put it to the House that "any agreement made under this Act" is very dangerously wide.

Dr. Ziauddin Ahmad: I am prepared to accept the words "under this section" for the words in my amendment, if it is acceptable.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair is prepared to help the Doctor to get out of the difficulty: does he want to substitute the words "under this section" for the words "under this Act"?

Dr. Ziauddin Ahmad: Yes, Sir.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in the amendment of Dr. Ziauddin Ahmad, for the word 'Act' the word 'section' be substituted."

The motion was adopted.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That sub-clause (4) of clause 21 of the Bill be omitted and the following substituted in its place:

"(4) Any agreement made under this section to which the Governor General in Council or any Local Government is a party shall be laid, as soon as may be after it is made, before the Central Legislature and, in the case of a Local Government, before its Local Legislature also."

The motion was adopted.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 21, as amended, stand part of the Bill."

The motion was adopted.

Clause 21, as amended, was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 22 stand part of the Bill."

Dr. Ziauddin Ahmad: Sir, I beg to move:

"That in sub-clause (1) of clause 22 of the Bill, after the words 'references in this Act to Bank' the words 'or currency' be inserted."

The Honourable Sir George Schuster: My Honourable friend has moved, but he has not explained. . . .

Dr. Ziauddin Ahmad: It is merely a verbal alteration.

The Honourable Sir George Schuster: and I must oppose also without explanation, but on the ground that these words, so far as I have been able to understand them, make nonsense.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (1) of clause 22 of the Bill, after the words 'references in this Act to Bank' the words 'or currency' be inserted."

The motion was negatived.

Mr. V. K. Aravamudha Ayangar: Sir, I rise to move:

"That in sub-clause (2) of clause 22 of the Bill, the word 'aforesaid' be omitted and after the word 'date' the words 'on which this Chapter comes into force' be inserted."

Sir, in the original clause 22, sub-clause (1), there was a reference to the "date on which this Chapter comes into force", and, therefore, in sub-clause (2), the word "date" referred to the "date on which this Chapter comes into force". The amendment which I move is only a drafting amendment, and I move.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (2) of clause 22 of the Bill, the word 'aforesaid' be omitted and after the word 'date' the words 'on which this Chapter comes into force' be inserted."

The motion was adopted.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 22, as amended, stand part of the Bill."

The motion was adopted.

Clause 22, as amended, was added to the Bill.

Clause 23 was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 24 stand part of the Bill."

Dr. Ziauddin Ahmad: Sir, I move:

"That to clause 24 of the Bill, the following proviso be added:

'Provided, however, that no note of the denominational value of less than rupees five shall be issued by the Bank.'

Sir, we have all got a very unpleasant experience of one rupee and two and half rupee notes which were in circulation some time ago, and I think it is not desirable in a country like India to have notes of such small denominations, because very often they are lost, which means that the money is practically lost to the poor people. I think in other countries also it has been recognised that it is not safe and practicable to issue notes of smaller denominational value. In England the minimum value of the note is ten shillings, which practically amounts to Rupees seven odd, and so to have notes of smaller value than Rupees five will be very inconvenient to the poorer class of people and also for ordinary transactions. The experiment of issuing notes of small denominational value was tried by other countries just after the War,—I mean notes of the value of one franc and two francs, but they were found to be very inconvenient to handle and so difficult to carry that they were soon discarded. Sir, I think that we should always have small silver coin in preference to these paper notes. Though we have done away with gold, though gold is not in circulation, I think it is only right that at least silver coin should be in circulation. If we removed silver altogether from circulation and tried to introduce bank notes of smaller denominational value, many people who have got their silver holdings will suffer enormously. I think even the small five rupee notes that we have at present in circulation should be printed on better paper. Sir, people in this country are accustomed to handle silver and purchase things with smaller coins, and it will be very inconvenient to the people who are still quite foreign to the use of paper currency if you replace even the few silver coins that we have in circulation by paper currency.

Another important thing is that, in the case of silver currency, there is no necessity to replace the silver coins or to mint them again once they come back to the currency, but in the case of paper currency, we have to change them very often, both in size and form. I do not know what are the causes for making these changes, but we have been observing ourselves that the shape and size of five rupee notes have been practically changed from year to year. A new form has just been printed, and we have been given an assurance on the floor of the House that, as soon as these notes come back to the Currency Offices, they will not be re-issued and a new form will take the place of the existing ones. I wonder whether these changes are made on some currency principle or to patronise individuals. Even these five rupee notes are very badly handled, and I am afraid if we have bank notes of a smaller denomination of eight annas and four annas, it will be extremely inconvenient to the public. Therefore, though we agree that the Bank may issue notes of Rs. 25 and above, we ought to impose certain restrictions that, without the explicit permission of the Legislature, no notes of the value of less than Rupees five should be issued. I know that this experiment has been tried in many countries. We ought to learn from past experience and we ought not to copy what has

been found to be impracticable in the past. We know very well that many a time these notes of one rupee are lost, people do not know what to do, and the poor people suffer, though the rich people know how to look after their notes, because they generally keep a special valet or a sort of note-book in which they carry these small paper notes, but the poor people cannot afford to have all the facilities of a valet and things like that; they wrap their notes in a small piece of cloth, but should unfortunately the bundle of notes wrapped in the cloth get wet, the notes are practically as good as lost, and the poor man loses the entire amount. It is very difficult for poor people who go out in the morning for bath in tanks and rivers to wrap up these small notes in the little piece of cloth which they possess, because, if the bundle of notes gets wet unfortunately, then the whole money is lost. . . .

An Honourable Member: Water proof notes?

Dr. Ziauddin Ahmad: If my friend suggests to have water proof notes, then you had better issue silver notes, because they will be cheaper in the long run, because these silver notes will not only be water proof, but they will also be fireproof, so that they will have a double advantage. In the interest of the poor people who have not got facilities for carrying these smaller paper notes, I think it is very desirable that we should impose a restriction that notes below the value of rupees five should not be issued without the express sanction of the Legislature.

Then there is another difficulty. There is a rule that if a note is soiled, it will not be accepted, and it will, therefore, be very difficult for poor people to keep these notes in good form. I think we ought to have silver currency, five rupees should be the minimum that ought to be allowed. The other difficulty is that the paper currency is already very large, and I think the securities against it is not sufficiently covered,—and this we will discuss later on,—in any case I think it is not desirable to encourage paper currency at the expense of silver coins.

Mr. President (The Honourable Sir Shammukham Chetty): Amendment moved:

“That to clause 24 of the Bill, the following proviso be added:

‘Provided, however, that no note of the denominational value of less than rupees five shall be issued by the Bank.’”

Mr. B. R. Puri: Sir, I had no mind to oppose my friend, Dr. Ziauddin Ahmad's amendment, but I do wish to place one fact before him for consideration, and it is this.

In the Punjab, at any rate, I am conscious of a very ugly fact, namely, that counterfeiting of rupee coins is going on to a very considerable extent. That being so, I think it is a source of a great deal of annoyance and inconvenience to those people who have to offer and deal with rupee coins, because, we know from experience in our province that in certain districts counterfeiting is going on, even in the interior of the districts, in the villages, and that has made the position of ordinary people really more awkward. As a matter of fact, we people also when we take our fees from our clients frequently insist that we should take it in paper and not in coin, because we find that a fair proportion of these rupee coins which are actually given to us ultimately prove to be bad coins. Therefore, I submit, that unless the present conditions improve, it would be a decided advantage and gain

[Mr. B. R. Puri.]

to these people if they were given notes instead of those false coins and sometimes finding themselves in jails because suspicion might fall upon a poor wretched man who is not able to defend himself. (*An Honourable Member*: "What about false notes?") So far as false notes are concerned, it is not an unknown thing; I am aware of it, but at any rate, so far as the present conditions prevail, there is no preparation of false notes going on to such an extent. There may be, I have known cases, but so far as the lower class of people are concerned, they will be better protected if they were made to handle, instead of rupee coins, smaller notes. Then, again, there is another aspect, and that is this. In any case, so far as the mere question of convenience is concerned, paper money is more convenient. If you have got Rs. 80 in rupees, you will be carrying one seer of load on you, whereas with eighty small notes—I am taking the case where one rupee notes are in circulation—to carry eighty small notes in your pocket—it would be a much less weight than carrying eighty pieces of silver. On that ground also, I would remind the learned Doctor that it would be perhaps more convenient to put a few paper notes in your pocket which are very light after all when compared with rupee coins.

Mr. Bhuput Singh: I do not think the amendment is necessary, because there is a provision that the denomination of notes shall not be changed unless otherwise directed by the Governor General in Council on the recommendations of the Central Board. We must have faith in the Central Board. Why should we think that they will go on changing the notes every now and then and introduce one rupee or two rupee notes? There should be no misapprehension on this point, and I do not think that this amendment is necessary.

Rao Bahadur B. L. Patil (Bombay Southern Division: Non-Muham-madan Rural): The last speaker argued that the clause itself was sufficient to prevent the issue of such small notes. But the experience of the Government of India is in favour of the Mover of this amendment. I am sure, the Government know full well that, when the rupee notes were in circulation, the poor people suffered very much and in many ways. Then, coming to the argument of my Honourable friend, Mr. Puri, I should like to remind him that he altogether forgot that we have got numerous instances in which currency notes are also counterfeited, but as the mischief attaches to both kinds of issues, we must see in what case the mischief is less in practice. In my humble opinion, the mischief caused by the counterfeiting of coin is much less, because the poor man, the ignorant, uneducated man, who is always the victim, can detect whether the coin is a good coin or a bad coin, but in the case of currency notes it will be very difficult for the ignorant people to find out whether the currency note is a genuine one or a counterfeit one. Therefore, in the interests of the poor and the ignorant, I think the amendment is a well conceived one.

The Honourable Sir George Schuster: Sir, we are not discussing now whether one rupee notes should be immediately issued or not. We are merely discussing whether the Bank's hands should be tied as regards future issues. Sir, I must oppose this amendment. We think it desirable that the Bank should have a free hand. As for the desirability of issuing one rupee notes again, I should like to say that my Honourable friend, Mr. Puri, is perfectly right when he says that the counterfeiting

of coins is a much more serious practical danger than the forgery of notes, and it is much more difficult to detect. Sir, I oppose this amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That to clause 24 of the Bill, the following proviso be added:

'Provided, however, that no note of the denominational value of less than rupees five shall be issued by the Bank'."

The motion was negatived.

Clause 24 was added to the Bill.

Clause 25 was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 26 stand part of the Bill."

Dr. Ziauddin Ahmad: I beg to move:

"That in sub-clause (2) of clause 26 of the Bill, before the words 'The Governor General in Council' the words 'On recommendation of the Central Board' be inserted."

I think it is only fair that, as the Reserve Bank is the issuing authority, the recommendations must go from the Reserve Bank and the final permission from the Government, and if, in a matter like this, the Government begin to interfere without any recommendation of the Central Board and issue a certain thing, then the whole equilibrium will be upset, because when you consider

The Honourable Sir George Schuster: If it is of any help to my Honourable friend I may at once tell him that we see no objection to this amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (2) of clause 26 of the Bill, before the words 'The Governor General in Council' the words 'On recommendation of the Central Board' be inserted."

The motion was adopted.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 26, as amended, stand part of the Bill."

The motion was adopted.

Clause 26, as amended, was added to the Bill.

The Assembly then adjourned till Eleven of the Clock on Saturday, the 16th December, 1933.

LEGISLATIVE ASSEMBLY.

Saturday, 16th December, 1933.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

QUESTIONS AND ANSWERS.

GRANT OF GRATUITIES TO ONE MR. KHOSLA.

1423. *Mr. Lalchand Navalrai: Will Government please state, as promised in a supplementary question, whether they have made inquiries why Mr. Khosla did not get his gratuity and what steps do Government propose to take to give him the gratuity if his discharge is legitimate?

Mr P. R. Rau: Government have been informed that as Mr. Khosla's total service was less than 15 years and as his service was unsatisfactory, no gratuity was admissible to him under the rules.

Mr. Lalchand Navalrai: May I know from the Honourable Member if a man gets gratuity when he is retrenched?

Mr. P. R. Rau: Not if his service is unsatisfactory. The gratuity is a reward for satisfactory and approved service.

Mr. Lalchand Navalrai: Apart from the question of unsatisfactory service, do they get it on being retrenched?

Mr. P. R. Rau: When a man is retrenched, I think he gets a gratuity.

Mr. Lalchand Navalrai: Is it or is it not a fact that this man was at one time considered to be inefficient and then he proved that he was not inefficient and then he was retrenched?

Mr. P. R. Rau: I am not aware that he ever proved that he was not inefficient.

Mr. Lalchand Navalrai: Has the Honourable Member satisfied himself on this point?

Mr. P. R. Rau: Our information shows that Mr. Khosla's discharge was only the final stage of a number of incidents in which he had been reprimanded and warned.

Mr. Lalchand Navalrai: I am putting the question on the subject of this gratuity, because the man has been thrown out of employment and he is getting no livelihood. I am asking whether this is a case of

inefficiency or retrenchment. I am asking whether the Honourable Member has satisfied himself on that point and whether the papers are before him. Then, in that case, I would certainly not have raised this question.

Mr. P. R. Rau: It is a case of retrenchment based on inefficiency.

ILLNESS OF SAROJ RANJAN ACHARYA, A DETENU IN THE DEOLI DETENTION CAMP.

1424. *Mr. S. C. Mitra: (a) Will the Honourable the Home Member please refer to the reply to my starred question No. 1120, dated the 23rd November, 1933, wherein he stated that the orders about the home internment of the detenu Saroj Ranjan Acharya of the Deoli Detention Camp were still under consideration?

(b) Are Government aware that the detenu wrote to his brother in a letter, dated November 1, which has been duly censored, that his petition has been rejected on the ground that his brother declined to take responsibility for controlling him?

(c) Is it a fact that his brother was fully agreeable to take all the responsibility for Saroj Acharya, but that he merely stated that as he was a low-salaried employee he was unable to bear the additional expenses and prayed for an allowance for the said detenu? If so, is the answer of the Honourable Member correct?

The Honourable Sir Harry Haig: (a) to (c). My answer was correct. It is true that the question of permitting the detenu to reside with his brother in Delhi has been dropped, but on an alternative proposal no decision has yet been reached.

ALLEGED ABUSES OF RULES AND REGULATIONS BY THE AGENTS AND SUBORDINATE ADMINISTRATIVE AUTHORITIES OF RAILWAYS.

1425. *Mr. S. G. Jog: (a) Are Government aware, and if not, do they propose to inquire and state, whether the Agent, East Indian Railway, under his letter No. N. E.-2061/2, dated the 24/25th October, 1933, stated that he could take no notice of direct appeals and if the appellant did that again, he should be dealt with for breach of discipline? If so, is it not against the reply of the Honourable Member representing the Railway Administration in this House in view of the answer given by him to a supplementary question to the starred question No. 795, dated the 12th September, 1933?

(b) What action has been taken by the Railway Board to prevent abuses of rules and regulations by the Agents and subordinate administrative authorities?

(c) Are Agents bound to obey the orders, rules and regulations of the Railway Board?

Mr. P. R. Rau: I have called for certain information and will lay a reply on the table in due course.

CLASSIFIED LIST OF STATION MASTERS AND ASSISTANT STATION MASTERS ON THE EAST INDIAN RAILWAY.

1426. ***Mr. S. G. Jog:** (a) Will Government be pleased to state whether it is a fact that the Agent, East Indian Railway issued in June, 1932, a classified list of Station Masters and Assistant Station Masters?

(b) If the reply to part (a) be in the affirmative, (i) how is the seniority of different classes of cadres grouped in one combined seniority list; and (ii) what are the normal channels of promotion in the combined seniority list?

Mr. P. R. Rau: I am obtaining the information and shall lay a reply on the table in due course.

POSTING OF POLICE NEAR THE BANDSTAND IN CONNAUGHT PLACE, NEW DELHI.

1427. ***Rao Bahadur M. O. Rajah:** (a) Is it a fact that recreation is provided for the public of New Delhi by a military band playing in the Connaught Place circle every Saturday?

(b) Is it a fact that a strong police cordon was placed round the bandstand on Saturday, the 2nd December, 1933?

(c) Will Government be pleased to state the reason why this innovation has been introduced?

(d) Are Government aware that the police refused respectable ladies and gentlemen to go near the bandstand or move about the inner circle whilst the band was playing?

(e) For how long do Government propose to continue this new police arrangement?

The Honourable Sir Harry Haig: (a) Yes.

(b) to (e). It was found that the crowd encroached on the bandstand and interfered with the playing, and in the interests of the general public who congregate to listen to the band it was necessary to make police arrangements to keep the area immediately surrounding the bandstand clear and to prevent over-crowding. Benches are provided in the inner circle for the general public. These police arrangements were made at the instance of the New Delhi Municipal Committee and I understand they desire them to be continued.

LEAKAGE OF ELECTRIC CURRENT IN CERTAIN QUARTERS IN NEW DELHI.

1428. ***Rao Bahadur M. O. Rajah:** (a) Is it a fact that the electric wires in Government quarters are worn out?

(b) Is it a fact that there is leakage of electric current in many of the clerks' quarters?

(c) Will Government please state how many complaints have been received by the Public Works Department, and how many of the quarters have been fully or partly re-wired?

(d) Is it a fact that the occupants of the quarters have had to bear the charges of these excessive leakages?

(e) Do Government propose to refund those men from whom complaints of leakages were received, the electrical charges they have paid for October and November 1933? If not, why not?

The Honourable Sir Frank Noyce: (a) No. From time to time wiring becomes defective and is replaced.

(b) No, though there have been occasional cases of leakage.

(c) Fourteen. Defective wiring was removed, but in no case was a quarter fully rewired.

(d) Yes.

(e) The question is under consideration.

REPORT OF THE ORISSA ADMINISTRATIVE COMMITTEE.

1429. *Mr. Sitakanta Mahapatra: (a) Will Government be pleased to state if the report of the Orissa Administrative Committee (Hubback Committee) has reached their hands?

(b) If so, when is it expected to be published? Is it the intention of Government to place all or any of the recommendations in the said report for the consideration of the Central Legislature? If so, when?

The Honourable Sir Brojendra Mitter: (a) Yes.

(b) Publication may be expected shortly. The procedure in dealing with the report has not yet been decided.

BOUNDARIES OF THE PROPOSED ORISSA PROVINCE.

1430. *Mr. Sitakanta Mahapatra: Will Government be pleased to state if they are in possession of any information regarding the final decision of the Imperial Government over the boundaries of the contemplated Orissa Province? If so, what?

The Honourable Sir Brojendra Mitter: The reply is in the negative.

HELP FROM THE FAMINE INSURANCE FUND TO THE ORISSA DIVISION.

1431. *Mr. Sitakanta Mahapatra: Is it a fact that while Rs. 50,000 have been given to the Ambala Division and promise for further help there has been held out from the Famine Insurance Fund, only Rs. 40,000 have been given to the Orissa Division?

Mr. G. S. Bajpai: The answer is in the affirmative?

Mr. Sitakanta Mahapatra: Why was this distinction made between the Orissa Division and the Ambala Division?

Mr. G. S. Bajpai: No distinction has been made. The need of the Ambala Division was greater than the need of Orissa.

Mr. Sitakanta Mahapatra: Has it got anything to do with the fact that Orissa is situated far away from the Imperial Capital?

Mr. G. S. Bajpai: Distance would have been a factor in their favour, if it had been found that the need of Orissa was greater than that of Ambala.

Mr. Sitakanta Mahapatra: What amount did the Bihar and Orissa Government want?

Mr. G. S. Bajpai: 40,000 was the amount.

Mr. Sitakanta Mahapatra: And the Punjab?

Mr. G. S. Bajpai: They asked for two lakhs and they got Rs. 50,000.

Mr. Sitakanta Mahapatra: Before applying for help, was any inquiry made as to the needs of these two Divisions by the Imperial Government?

Mr. G. S. Bajpai: I take it that the two Local Governments concerned who applied, not to the Government of India, but to the governing body of the Indian People's Famine Trust, probably made suitable local inquiries.

Mr. Sitakanta Mahapatra: Has the attention of Government been drawn to the recent appeals in the newspapers regarding the distress in Orissa?

Mr. G. S. Bajpai: As regards the appeals, I do not think the intensity of those coming from Bihar and Orissa is greater than those coming from Ambala.

Mr. Sitakanta Mahapatra: Are Government aware that the Commissioner of the Orissa Division appealed in the *Statesman* a few months ago?

Mr. G. S. Bajpai: I would ask my friend to read also the various appeals which have appeared in the Punjab and Delhi papers.

Mr. Gaya Prasad Singh: Does the Honourable Member think that Rs. 40,000 is adequate for the purpose of relieving distress in Orissa?

Mr. G. S. Bajpai: I should like the House to appreciate the fact that this is not a matter for Government. This is a matter for the People's Famine Trust who are independent of Government. I happen to be a member of that and, therefore, I am able to give such information as I have. The Government of Bihar and Orissa asked for Rs. 40,000 and they got Rs. 40,000.

Mr. Lalchand Navalrai: On what facts was this grant based? Was Orissa in greater distress?

Mr. G. S. Bajpai: To mention one item. The Bihar and Orissa Government said that over 20,000 houses had been seriously damaged, whereas the report from Ambala showed that more than 100,000 houses were actually destroyed.

Dr. Ziauddin Ahmad: Is it a case of "*Sag-i-hozoor beh az beradar-i-door*", which means that those who are nearer are served better than those at a distance?

Mr. G. S. Bajpai: I have already answered that question.

Mr. Sitakanta Mahapatra: On what basis was the amount of Rs. 40,000 required for Orissa?

Mr. President (The Honourable Sir Shānmukham Chetty): That was for the Orissa Government to decide.

IRREGULARITY IN THE PATNA TELEGRAPH SUB-DIVISION.

1432. ***Mr. Sitakanta Mahapatra:** (a) Will Government be pleased to state whether their attention has been drawn to a letter published in the *Advance* dated the 31st October, 1933, under the caption "Irregularity in Patna Telegraph Sub-Division"?

(b) If so, have Government been pleased to enquire into the cause of discontent prevailing among the Telegraph line staff, in the said Sub-Division under the present regime?

The Honourable Sir Frank Noyce: (a) and (b). The Honourable Member is referred to the reply given to the first part of Mr. Jog's starred question No. 1299 on December 7th. In the absence of complaint from the staff concerned Government are not prepared to take any action in the matter.

REPRESENTATIONS OF THE TELEPHONE OPERATORS IN THE PATNA DIVISION.

1433. ***Mr. Sitakanta Mahapatra:** Will Government be pleased to state if they have received any representations from the telephone operators in the Patna Division regarding amelioration of some of their grievances? If so, what steps have been taken?

The Honourable Sir Frank Noyce: Yes. The matter is under consideration.

INTRODUCTION OF THE SYSTEM OF FLYING SQUADS ON THE EAST INDIAN RAILWAY.

1434. ***Dr. Ziauddin Ahmad:** (a) Is it a fact that the system of flying squads has been introduced in certain Divisions on the East Indian Railway?

(b) Was the system tried on the North Western Railway, and if so, with what result?

(c) Has the system been introduced to stop persons from travelling without tickets, or for some other reason?

(d) Is it a fact that the Railway authorities expected that the flying squads should collect penalties from the passengers in proportion to their number?

Mr. P. R. Rau: I am obtaining information from the Railways concerned and shall lay a reply on the table in due course.

ACQUISITION OF BUNGALOWS IN THE PESHAWAR AND KOHAT CANTONMENTS.

1435. ***Mr. Gaya Prasad Singh:** (a) Are Government aware that a great deal of discontent and hardship has been caused among the house-owners by the way in which private bungalows are being acquired in the Cantonments of Peshawar and Kohat by the military authorities?

(b) Is it a fact that in reply to a deputation of house-owners, which waited upon him on or about the 14th March, 1933, His Excellency the Commander-in-Chief said that "there had been no interference with the commercial interests except in the case of one European-managed firm"?

(c) Is it a fact that in the Cantonment of Kohat, one private Sarai, and two commercial sites on whose incomes the owners live, have been gazetted for acquisition? If so, why? Are Government prepared to make an enquiry?

Mr. G. R. F. Tottenham: (a) Government are aware of the feelings of house-owners on the subject, but I may add that there are several owners in these stations, who have sold their houses to Government by agreement and who have expressed themselves satisfied with the terms of settlement.

(b) Yes.

(c) So far as I am aware there is only one bungalow which is being acquired in Kohat in which anything in the nature of commercial interests are concerned. This is a bungalow in the compound of which certain of the outhouses and servants quarters have been unauthorizedly converted by the owner into a *سرائ* and a few petty shops. It is partly owing to this unauthorised use of Government land that acquisition has become necessary, in order to preserve the original character of the site as an officer's residence. I may add that the present tenant of this particular bungalow is an Indian officer, who is consequently living in extreme discomfort.

Mr. B. B. Puri: What is really the cause of this wholesale acquisition of houses in cantonments, which has of late been so much in evidence?

Mr. G. R. F. Tottenham: It would take a long time to explain all the causes, but briefly it is this. The military authorities are short of residential accommodation for their officers and the rents that are being charged by the house-owners are becoming more and more extravagant. They have, therefore, decided that it would be better to acquire a certain number of houses rather than continue to pay rent for them.

Mr. B. B. Puri: Was the shortage felt only recently?

Mr. G. R. F. Tottenham: The shortage has been felt for many years, but it has been accentuated in recent years.

Mr. B. B. Puri: Has there been any increase in the number of officers who are to be accommodated in such houses?

Mr. G. R. F. Tottenham: In certain places there has been an increase and, in certain places there has been a decrease; but we are making these arrangements particularly with an eye to the future when there will be a very considerable increase of officers owing to the Indianisation of the Indian Army.

Mr. B. B. Puri: Is that the only reason, Sir?

Mr. G. R. F. Tottenham: Not the only one, but one of the most important reasons.

Mr. B. B. Puri: Is the Honourable Member aware that in spite of his assurance that a certain class of owners have already disposed of their houses to Government and that they are fully satisfied with the arrangement, up till the moment that I am speaking, there is a great deal of dissatisfaction amongst all classes of house-owners, barring the very few persons who may have been compelled to part with their property at such prices as Government were willing to give them?

Mr. G. R. F. Tottenham: It is only natural that there should be some discontent amongst the house-owners, because they have been making very large profits in the past. That fact has meant that the Indian tax-payer has been suffering. Our bill for rents for houses in cantonments has been increasing at the rate of something like Rs. 2 lakhs a year, and this money comes out of the pockets of the ordinary tax-payer and goes into the pockets of the house-owners. Naturally, they are, therefore, somewhat discontented that this source of income should be taken away from them.

Mr. B. R. Puri: If the house-owners agreed to have the rents brought down to a reasonable standard, would Government then be prepared to consider favourably the proposition that they should not be interfered with, so that one obnoxious feature will be removed, namely, the excessive charging of rents?

Mr. G. R. F. Tottenham: That, Sir, is a hypothetical question; but I may add that, during the last five or ten years, efforts have been made to induce house-owners to reduce their rents; they have made promises to the effect that they would do so; but those promises have not been fulfilled.

Mr. B. R. Puri: Would Government be pleased to give us an assurance that there is no racial discrimination at the bottom of it?

Mr. G. R. F. Tottenham: Yes, Sir, I can give that assurance with absolute confidence.

Mr. Gaya Prasad Singh: Has there been an increase in the number of officers in Peshawar?

Mr. G. R. F. Tottenham: There has been a considerable increase during the last ten years or so owing to the addition of the Royal Air Force to the Army in India.

Mr. B. R. Puri: What has been the basis on which houses have been assessed in the case of the houses which the Government have already acquired and regarding which the Honourable Member has said that the people are fully satisfied?

Mr. G. R. F. Tottenham: I must ask for notice of that question; it is rather an intricate calculation.

Mr. B. R. Puri: Is my Honourable friend aware that there is a great deal of dissatisfaction over this very fact, namely, that Government have paid them hardly any reasonable proportion of the reasonable price which they expected?

Mr. G. R. F. Tottenham: No, Sir. I am not aware that there is dissatisfaction. On the other hand, several house-owners, who have accepted the amounts that we have offered them, have professed themselves fully satisfied. I may also add that considerable satisfaction has been expressed to us by the general population of Peshawar and other cantonments that the Government are taking this action. I am referring to the people who live in the bazaars.

Mr. B. R. Puri: What is the proportion of such owners of property who have expressed their satisfaction over being relieved of their property in the cantonment?

Mr. G. R. F. Tottenham: I cannot give the exact proportion, but I think there are seven or eight house-owners who have come to terms with us and those have professed themselves satisfied with the terms that they have received.

Mr. B. R. Puri: Have they come to terms on their own initiative or forced to come to such terms?

Mr. G. R. F. Tottenham: On their own initiative.

Mr. Gaya Prasad Singh: Is it not a fact that the bungalows acquired in Peshawar belonged to Indian gentlemen only?

Mr. G. R. F. Tottenham: No, Sir. There have been several bungalows, I believe, that belonged to Europeans as well.

Mr. Gaya Prasad Singh: How many Europeans, and how many Indians?

Mr. G. R. F. Tottenham: I should like to have notice of that question; I think I gave the information in reply to a previous question in the House, but I am not sure.

Mr. B. R. Puri: Will the Honourable Member be pleased to give us the necessary information with regard to such items or questions regarding which he says he wants notice?

Mr. G. R. F. Tottenham: I shall give the information if the question is put down on the paper.

Khan Bahadur Haji Wajihuddin: May I know whether the Government have received any representation from the All-India Cantonments Association?

Mr. G. R. F. Tottenham: They have received many such representations.

Khan Bahadur Haji Wajihuddin: With what result?

Mr. Gaya Prasad Singh: With the usual result.

Mr. G. R. F. Tottenham: With the usual result! (Laughter.)

PROVISION OF FACILITIES FOR THE IMPORT AND SALE OF RUSSIAN PETROL.

1436. ***Mr. Bhuput Sing:** (a) Is it a fact that the New Delhi and the Old Delhi Municipalities have refused to grant permission and to allot a site for the erection of a petrol pump in Connaught Place and other places in Delhi to the agents for Russian Petrol?

(b) Is it a fact that subsequent to the refusal of such permission to those agents, these Municipalities have given permission to the agents of the Burma Oil Company to erect petrol pumps in various places in Delhi for the sale of "Shell" petrol?

(c) Are Government aware that Burma Shell petrol is sold at Rs. 1-5 per gallon when the stock of Russian petrol comes on the market and that the price is raised to Rs. 1-11-6 per gallon as soon as the stock of Russian petrol is exhausted?

(d) Is it a fact that Railway authorities detach the wagons carrying Russian petrol while in transit at a wayside station and detain them?

(e) Are Government aware that by such detention the Railway are indirectly assisting the Burma Oil Company to make high profits on petrol?

(f) Are Government aware that all kinds of obstructions are being placed in the way of the import and sale of Russian petrol in order to allow the Burma Oil Company to reap unduly high profits?

(g) Do Government propose to enquire into the matter and take immediate steps to provide all facilities for the import and sale of Russian petrol?

The Honourable Sir Joseph Bhoré: Enquiries are being made and the result will be communicated to the House in due course.

Mr. S. C. Mitra: May I know why these simple matters require more than ten days for the enquiries to be completed?

The Honourable Sir Joseph Bhoré: Well, Sir, these references had to be made to many authorities. They have had to be made to the railway authorities as well as to the local authorities and I can only say that replies have not yet been received to our enquiries.

Dr. Ziauddin Ahmad: There is another part of the question that does not require the collection of information. The Honourable Member has already on the floor of the House mentioned that it is so?

The Honourable Sir Joseph Bhoré: Sir, that is true; but, as a matter of fact, the important parts of this question required more detailed inquiries to be made and information to be gathered. We are taking all necessary steps to enable a complete reply to be laid on the table.

AMOUNT PAID TO THE BENGAL GOVERNMENT AS THEIR SHARE OF THE ADDITIONAL SALT DUTY.

1437. ***Mr. S. C. Mitra:** (a) Will Government please state what sums of money the Government of India paid to the Bengal Government as their ½th share of the additional salt duty during the last three years?

(b) Is it a fact that this money was meant to be utilised for encouraging the manufacture of salt in the province?

(c) Will Government please state how the Government of Bengal spent that money during the different years?

(d) Has any balance been left unutilised? If so, how will that amount be spent in future?

The Honourable Sir George Schuster: (a) The sums so far paid to the Government of Bengal on account of their share of the additional import duty on foreign salt are:

	Rs.
(i) for 1931-32	5,36,800
(ii) for 1932-33]	6,04,300
(iii) for April to September 1933	1,17,900
Total .	12,58,800

(b) No. The money was not definitely earmarked for the development of salt manufacture but the wishes of the Legislative Assembly contained in their Resolution of April 1, 1931, were communicated to the Government of Bengal.

(c) and (d). The Government of Bengal have been asked for a report.

ENCOURAGEMENT OF SALT INDUSTRY IN BENGAL.

1438. *Mr. S. C. Mitra: (a) Will Government please state what steps the Government of Bengal have taken during the last three years to encourage salt industry in Bengal?

(b) How many applications were received by them from different parties seeking financial or other assistance for the manufacture of salt?

(c) How many of these applications have been granted, and how many have been rejected and for what reasons?

The Honourable Sir George Schuster: (a) Seven temporary permits for the manufacture of salt for experimental purposes have been granted to certain persons and firms in Bengal.

(b) and (c). No applications were received in which pecuniary assistance was sought. Applications from two companies were received asking for assistance in securing lands suitable for salt manufacture; one company was given assistance to secure certain lands belonging to the Forest Department. No assistance could be given to the other company as the lands belonged to private parties.

APPLICATION FROM PREMIER SALT MANUFACTURING COMPANY, LIMITED, FOR WAREHOUSE LICENCES.

1439. *Mr. S. C. Mitra: (a) Is it a fact that the Premier Salt Manufacturing Company, Limited, applied to the Government of Bengal for warehouse licences for encouraging indigenous salt manufacture on a small scale as cottage industry by poor villagers?

(b) Was their petition granted? If not, why not?

The Honourable Sir George Schuster: (a) Yes.

(b) The petition was rejected by the Commissioner of Salt and Excise. The Government of Bengal is being asked for further information as to the reasons for its rejection and this information will be supplied when it is received.

ALLOWANCE FOR THE FAMILY OF STATE PRISONER MR. SATYA GUPTA.

1440. ***Mr. S. C. Mitra:** (a) Have Government received a petition, dated the 9th November, 1932, from the younger brother of State Prisoner Mr. Satya Gupta, now detained in Mianwalli Jail, about reconsideration of the allowance of Rs. 25 for their family?

(b) Is it a fact that Government originally granted Rs. 50. monthly allowance for his family consisting of his mother, brother and two sisters?

(c) Is it a fact that the said allowance has been reduced to Rs. 25 on the death of his mother?

(d) Is it a fact that they represented that Rs. 25 a month is insufficient to cover the educational expenses of his younger brother and two sisters who are all students?

(e) Are Government aware that the reduction of allowance to Rs. 25 after the death of their widowed mother has made it impossible for the young members of the family to carry on their studies?

(f) Are Government willing to make an enquiry and reconsider the question of allowance of Rs. 25 per month? If not, why not?

The Honourable Sir Harry Haig: (a) to (f). The allowance in this case was originally Rs. 50 per month, but was reduced to Rs. 25 per month on the death of the State Prisoner's mother. The Government of India have received no petition or representation in the matter.

TRADE AGREEMENT WITH CANADA.

1441. ***Mr. B. Das:** (a) Will Government be pleased to state whether the trade agreement with Canada similar to the one with the United Kingdom has already been concluded?

(b) If the reply to part (a) be in the negative, will Government be pleased to state what progress has been made and whether there are any material difficulties and when the public will be informed with regard to the final arrangements?

The Honourable Sir Joseph Bhore: (a) No, Sir.

(b) The question of a trade agreement between India and Canada is under examination. Government are not yet in a position to make any statement on the subject.

PROTECTION TO THE SILK INDUSTRY.

1442. ***U Ba Maung:** (a) Will Government be pleased to state if the Tariff Board in its inquiry for silk industry took any evidence from Burma? If so, who were the witnesses and what interest they represented?

(b) Did the Government of Burma through their Director of Industries give evidence before the Tariff Board in this connection?

(c) Are Government aware that the Burmese people wear silk apparels?

(d) Do Government propose to give any protection to silk industry? If so, have Government made any inquiry whether the Burmese people will be able to bear the rise in price of silk due to protection?

The Honourable Sir Joseph Bhore: (a) Yes, Sir. The only representation received by the Tariff Board from Burma was from the Burma

Indian Chamber of Commerce which dealt with the subject generally in the interest of importers of raw silk and the silk handloom weaving industry.

(b) No.

(c) Yes.

(d) The report of the Tariff Board is still under examination and all interests involved will receive full consideration before any final decision is taken.

**COMMUNAL COMPOSITION, PAY, ETC., OF THE STAFF OF THE RAILWAY
RATES ADVISORY COMMITTEE.**

1443. ***Pandit Satyendra Nath Sen:** Will Government be pleased to state the present strength of the subordinate staff by communities and provinces, pay at present drawn, and in which posts were they appointed originally on the Railway Rates Advisory Committee and increments received from time to time?

Mr. P. R. Rau: Government regret they cannot undertake the compilation of the information required, the labour and expense involved in which will, they consider, be out of all proportion to any possible use it can be put to.

**TRAVELLING ALLOWANCE OF THE INSPECTORS OF STATION ACCOUNTS, GREAT
INDIAN PENINSULA RAILWAY.**

1444. ***Mr. M. Maswood Ahmad:** (a) Are Government aware that the Chief Accounts Officer, Great Indian Peninsula Railway, has intimated his Inspectors of Station Accounts, *vide* his Circular letter, No. 115 of 10th October, that travelling allowance for the time taken over inspections above the days allowed to complete such inspections will be disallowed?

(b) Has any provision been made for additional time in view of inspections now having to be performed four-monthly and half-yearly instead of quarterly, on which basis the time was allotted?

Mr. P. R. Rau: (a) The instructions referred to relate only to cases of extra time taken without satisfactory reason.

(b) I am informed that the checks required to be applied have also been reduced, thereby giving the requisite relief to the staff. The matter is however being watched carefully.

UNSTARRED QUESTIONS AND ANSWERS.

**JURISDICTIONS OF INSPECTORS OF STATION ACCOUNTS ON THE GREAT INDIAN
PENINSULA RAILWAY.**

333. **Mr. M. Maswood Ahmad:** Will Government be pleased to place on the table a statement showing the comparative lengths of jurisdictions of Inspectors of Station Accounts of the Great Indian Peninsula Railway, the strength of the establishment, and the cadres existing (i) prior to the State taking over the Railway, (ii) after the State took over the Railway and (iii) since the separation of Audit from Accounts?

Statement showing the cadres from time to time of Inspectors of Station Accounts of the Great Indian Peninsula Railway.

Strength.	Cadre.
	Rs.
(i) Prior to the State taking over the Railway :	
2 posts of Travelling Audit Inspectors	500
5 " " " "	350—20—450
9 " " " "	210—15—350
15 " " " "	150—10—200
1 post of Travelling Audit Inspector for Institutes	150—10—200
32	
(ii) After the State took over the Railway :	
Same as above.	
(iii) Since the separation of Audit from Accounts :	
	Rs.
6 posts of Senior Travelling Inspectors of Accounts	290—20—450 new scale.
9 posts of Junior Travelling Inspectors of Accounts, Grade I	150—15—270 "
14 posts of Junior Travelling Inspectors of Accounts, Grade II	130—8—170 "
29	
4 posts of Junior Travelling Inspectors of Accounts, Grade II	130—8—170 "
33	(temporary)
(iv) After the retrenchment effected, i.e., from 14th August, 1932 :	
5 posts of Senior Travelling Inspectors of Accounts	290—20—450 "
7 posts of Junior Travelling Inspectors of Accounts, Grade I	150—15—270 "
11 posts of Junior Travelling Inspectors of Accounts, Grade II	130—8—170 "
23	
1 temporary post of Senior Travelling Inspector of Accounts from	290—20—450
24	

REPORT PRESENTED BY THE NATIONAL UNION OF RAILWAYMEN TO THE
CONTROLLER OF RAILWAY ACCOUNTS.

384. **Mr. M. Maswood Ahmad:** Will Government be pleased to place on the table the report presented by the National Union of Railwaymen, as representatives of the Inspectors of Station Accounts, to the Controller of Railway Accounts which was the outcome of their interview with him

on the 14th August, 1932, at Bombay, a copy of which was furnished to the Financial Commissioner at the interview with the said Union on the 4th May, 1935? Will Government be pleased to state if the position as stated in that report was examined and with what result?

Mr. P. E. Ray: The proceedings of the interview were purely departmental and not meant for publication. Government regret that they cannot place any documents connected with the interview on the table of the House. The various points raised have been considered by the Controller of Railway Accounts and whatever action was considered necessary taken.

CONTRACT FOR UNLOADING AND CARRIAGE OF PUBLICATIONS OF THE CENTRAL PUBLICATION BRANCH FROM THE DELHI RAILWAY STATION TO THE OLD PRESS BUILDINGS.

335. **Mr. S. C. Mitra:** (a) Will Government please state whether one Mr. Kartar Singh undertook the unloading and carriage of publications from the Delhi Railway Station to the Old Press Buildings where the Central Publication Branch is located in the course of the move of the Branch from Calcutta?

(b) Is it a fact that he agreed to undertake the work at Rs. 2 per wagon in the first instance?

(c) Is it a fact that Mr. C. V. d'Eca, the then officiating Deputy Controller, Printing in the office of the Controller of Printing and Stationery, wrote a demi-official letter to the then officiating Manager requesting him to enhance the rate to Rs. 4-8-0 per wagon?

(d) Is it a fact that this rate was accepted and Mr. Kartar Singh undertook the work?

(e) Is it a fact that the said Mr. Kartar Singh is not a recognised contractor?

(f) Was any tender invited before giving the contract to Mr. Kartar Singh?

(g) Is it a fact that Mr. C. V. d'Eca was actually earning profits from the said contract?

(h) Is it a fact that Mr. Kartar Singh was only his paid servant on a monthly billet?

(i) Is it a fact that the said Mr. Kartar Singh is no longer to be found as a contractor in Delhi?

(j) Did Mr. Kartar Singh ever undertake any such contract in any Government Department before?

The Honourable Sir Frank Noyce: (a) Yes.

(b) No. The rate of Rs. 2 per wagon was the rate for unloading only and did not include carriage.

(c) No. On the contrary, Mr. Kartar Singh applied direct to the officiating Manager of Publications for an enhancement of the rate for unloading to Rs. 5.

(d) The contractor subsequently agreed to accept Rs. 4-8-0 per wagon for unloading which was sanctioned by the officiating Manager of Publications.

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(c) and (i). Government have no information regarding Mr. Kartar Singh's status as a contractor or his present place of business.

(f) Tenders were not called for but many quotations were received and considered.

(g) and (h). No I am informed that Mr. d'Eca did not know Mr. Kartar Singh and never saw him until some months after the contract had been accepted by the officiating Manager of Publications.

(j) He had held no previous contract from this Department. I am unable to say whether he held contracts from other Departments.

ACADEMICAL QUALIFICATIONS OF THE MANAGER OF PUBLICATIONS.

336. **Mr. S. C. Mitra:** (a) What are the academical qualifications of Mr. C. V. d'Eca, officiating Manager of Publications?

(b) Is it a fact that he was originally a clerk in the Public Works Branch of the Department of Industries and Labour?

(c) To what post in Government service was the said Mr. C. V. d'Eca first recruited?

(d) Is it a fact that the said Mr. C. V. d'Eca was later on transferred to the Central Printing Office as the Assistant Controller, Printing?

(e) What are the qualifications required for appointment as Assistant Controller of Printing?

(f) Did Mr. C. V. d'Eca possess the necessary qualifications? If not, will Government please state the circumstances under which Mr. C. V. d'Eca was appointed to the post?

(g) Was the post advertised in the newspapers? If so, when?

(h) How many candidates applied for the post in response to the advertisement, and

(i) what are their names;

(ii) what are their respective qualifications and experience in the art of printing?

(i) Why was not any man already working in the Stationery and Printing Department chosen for the appointment?

(j) Does Mr. C. V. d'Eca possess any printing qualifications?

The Honourable Sir Frank Noyce: (a) Mr. d'Eca passed the High School Examination, Secangul in 1907.

(b) and (c). He was recruited in 1908 as a clerk in the former Public Works Department.

(d) Mr. d'Eca was a senior Assistant in the Public Works Branch of the Department of Industries and Labour when he was transferred in 1924 to the Stationery and Printing Department as an Assistant to the Superintendent, Printing Clearing Office, on a pay of Rs. 500 per mensem. This post was later given gazetted status and its designation was changed to that of Assistant Controller, Printing.

(e) The incumbent of the post was required to possess experience of work in the Government of India Secretariat.

- (f) Yes. The latter part of the question does not arise.
- (g) No.
- (h) Does not arise.
- (i) Because no such man possessed the qualifications required.
- (j) No.

RECRUITMENT TO THE UPPER DIVISION OF THE MINISTERIAL ESTABLISHMENT OF THE CENTRAL PUBLICATION BRANCH.

337. Mr. S. C. Mitra: (a) Are Government aware that direct appointments to the Upper Division of the ministerial establishment of the Central Publication Branch are being recommended by the present officiating Manager of the Publications in supersession of the claims of the permanent men who have put in considerable number of years of meritorious service?

(b) Are Government aware that the expectation of promotion to the Upper Division cherished by men of the Lower Division has served as an impetus to sincere devotion to work?

(c) Are Government aware that the deprivation of men already in service in respect of lift to higher grades has been impairing their energy?

The Honourable Sir Frank Noyce: (a) No; there has been no supersession of men whose service was sufficiently meritorious to give them a claim to these posts.

(b) and (c). Government expect a proper standard of efficiency from all Government servants, irrespective of their prospects of promotion, and cannot accept failure to obtain promotion as an excuse for a lack of energy in fulfilling the duties of a post.

COST OF PRINTING, ETC., OF CERTAIN REGULATIONS OF 1933.

338. Mr. S. C. Mitra: Are Government aware that the cost of production of certain "Regulations" of 1933, printed in the Government of India Press, New Delhi, has considerably been augmented in comparison with the cost of production of the Regulations when these were printed at the Government of India Press, Calcutta? If so, how is economy in expenditure being ensured?

The Honourable Sir Frank Noyce: If the Honourable Member will give the name of the publication he refers to, the matter will be investigated.

BINDING OF PUBLICATIONS IN THE GOVERNMENT OF INDIA PRESS, NEW DELHI.

339. Mr. S. C. Mitra: (a) Is it a fact that the Government of India Press, New Delhi, is not well-equipped for the purpose of binding of publications?

(b) Is it a fact that a large number of publications printed at Government of India Press, New Delhi, are sent to the Forms Press, Aligarh, for binding?

(c) If so, what is the amount of Railway freight incurred on this account during the past six months?

The Honourable Sir Frank Noyce: (a) and (b). No.

(c) Does not arise.

**PERSONS THROWN OUT OF EMPLOYMENT IN THE GOVERNMENT OF INDIA PRESS,
CALCUTTA.**

340. Mr. S. C. Mitra: (a) Is it a fact that the Government of India Press, Calcutta, has been denuded of printing work and the work has been transferred to the Government of India Press, New Delhi?

(b) Is it a fact that a large number of men of the Government of India Press, Calcutta, have been thrown out of employment?

(c) If so, how many men of the Government of India Press, Calcutta, have been thrown out of employment in the course of the last three months?

The Honourable Sir Frank Noyce: (a), (b) and (c). There has been a transfer of certain work from Calcutta to Delhi, but the Calcutta Press has not been denuded of printing work and only seven men were thrown out of employment.

**SUBMISSION OF MEDICAL CERTIFICATES BY THE STAFF OF THE CENTRAL
PUBLICATION BRANCH.**

341. Mr. S. C. Mitra: (a) Is it a fact that in the case of absences from office for short periods of three or four days for reasons of illness, the rule for submission of medical certificates in support of ill-health is being enforced by the officiating Manager of Publications upon the staff with extreme rigour?

(b) Are Government aware that it is not possible for poor clerks to place themselves under treatment of recognised medical men for minor ailments every now and then?

(c) Do Government propose to ask the officiating Manager to apply the rule with less rigour?

The Honourable Sir Frank Noyce: (a) and (c). The Manager of Publications is merely following the usual practice and Government do not propose to interfere.

(b) No: medical attention is available free to the employees.

**DESPATCH OF PUBLICATIONS BY POST BY THE CENTRAL PUBLICATION BRANCH
TO THE OFFICES IN NEW DELHI.**

342. Mr. S. C. Mitra: (a) Is it a fact that the publications indented for by the offices in the New Delhi Secretariat are sent by the Central Publication Branch by post?

(b) If so, was not saving of postage expenditure on this account by reason of transfer of the Central Publication Branch to Delhi envisaged when the move was decided upon?

The Honourable Sir Frank Noyce: (a) Light packets are frequently sent by post; bulky parcels are sent by motor van.

(b) Does not arise.

**ALLEGED EMBEZZLEMENT BY THE CASHIER OF THE GOVERNMENT OF INDIA
PRESS, CALCUTTA.**

343. Mr. S. C. Mitra: (a) Is it a fact that a large sum of money was embezzled by the Cashier of the Government of India Press, Calcutta? If so, what is the actual amount defalcated?

(b) What steps were taken to bring the offender to book?

(c) Is it a fact that Mr. C. T. Letton, the then Manager of the Press, exempted the Cashier from the payment of security deposit? If so, why?

The Honourable Sir Frank Noyce: (a) and (b). Recently on the death of the Assistant Cashier of the Government of India Press, Calcutta, it was discovered that he had misappropriated cash to the extent of Rs. 1,225-15-6. This amount was recovered from the Cashier.

(c) No.

APPOINTMENT OF AN ANGLO-INDIAN LADY IN THE PATNA TELEPHONE EXCHANGE.

344. Mr. S. C. Mitra: (a) Has the attention of Government been drawn to a letter in the *Amritabazar Patrika*, dated the 24th September, 1933, under the caption "Anglo-Indian Lady in Patna Telephone Exchange"?

(b) Is it a fact that the appointment some time back of one Anglo-Indian lady operator in the Patna Telephone Exchange, has ignored the claims of so many senior and efficient male probationers on the list? If so, have Government been pleased to enquire why the Patna Divisional Engineer, Telegraphs, appointed that Anglo-Indian lady, when male probationers were already on the waiting list?

(c) Is it a fact that henceforth Government have decided to appoint Anglo-Indian ladies as Telephone Operators for the exchanges instead of Indian males? If so, what is the idea behind this?

(d) Is it a fact that Indian candidates for the post of a Telephone Operator, are required to be at least matriculates? If so, do the ladies appointed during this year in Patna and elsewhere possess that qualification?

(e) Is it a fact that the Anglo-Indian lady operators in Patna and other places hardly understand the Hindustani language of the business men subscribers in particular, whereby the said subscribers are inconvenienced and their calls are delayed? If so, why are the ladies provided for in Telephone Exchanges?

The Honourable Sir Frank Noyce: (a) Government have seen the letter referred to.

(b) Government have no information. It is open to any individual who considers that he has a grievance to make a representation in the ordinary way.

(c) Women have certain natural aptitudes which make them particularly suitable for employment as Telephone Operators and Government are considering whether in consequence they should be shown preference in recruitment for this particular work. If such preference is ultimately decided upon it will of course be extended to women in general irrespective of the communities to which they may belong and there is no intention of discriminating in favour of any particular community.

(d) No definite rules for the recruitment of Telephone Operators have yet been laid down but the question of prescribing definite rules for such recruitment is under the consideration of the Director General. The latter part of the question does not arise.

(c) Government have no information but the attention of the Postmaster-General is being drawn to the Honourable Member's suggestion.

COPRA AND RAW COCOANUT IMPORTED INTO INDIAN PORTS.

345. **Mr. Uppi Saheb Bahadur:** Will Government be pleased to state the quantity of (i) copra and (ii) raw cocconut imported into Indian ports from January, 1932 to December, 1932 and from January, 1933 to December, 1933?

The Honourable Sir Joseph Bhoré: The Honourable Member is referred to the Sea-borne Trade Accounts for the Calendar year 1932 and the Monthly Accounts for the months of January to October, 1933, copies of which are in the Library of the Legislature. The Sea-borne Trade Accounts for the months of November and December, 1933, have not yet been published.

REPRESENTATION FOR THE REDUCTION OF IMPORT DUTY ON COPRA.

346. **Mr. Uppi Saheb Bahadur:** (a) Will Government be pleased to state whether a deputation from Ceylon waited on the Honourable the Commerce Member or the Honourable the Finance Member, to represent the necessity of reducing the import duty on copra?

(b) If so what is the result?

(c) Is it a fact that after the Ottawa Pact the import duty on copra from Ceylon was reduced by 10 per cent.?

(d) Is it a fact that after the Ottawa pact there has been a very large influx of foreign copra into India?

(e) Are Government aware that owing to the influx of foreign copra and cocconut the price of Malabar copra and cocconut has fallen by 50 per cent.?

(f) Did Government receive any complaint regarding the heavy influx of foreign copra?

(g) If so, what action did Government take or propose to take in the matter?

The Honourable Sir Joseph Bhoré: (a) and (b). Representatives of the Government of Ceylon visited India to discuss with the Government of India the question of mutual tariff preferences between Ceylon and India. The negotiations between the two countries have not yet been concluded.

(c) No. The duty was reduced by 5 per cent.

(d) There has been a progressive increase in the imports of copra since 1929-30.

(e) Government are aware that there has been a fall in the prices of Malabar copra and cocoanuts.

(f) Yes.

(g) An enquiry into the supply of cocconut products and cocconut oil in India is being made at present by the Imperial Council of Agricultural Research and Government propose to await the result of this enquiry before deciding what action should be taken.

MOPLAHS IN THE POSTAL SERVICES.

347. Mr. Uppi Saheb Bahadur: Will Government be pleased to state the number of Moplahs in the postal service as (i) peons, (ii) clerks, (iii) other officers in Malabar?

The Honourable Sir Frank Noyce: Information has been called for and will be laid on the table of the House in due course.

MOPLAHS IN THE CUSTOMS SERVICES.

348 Mr. Uppi Saheb Bahadur: Will Government be pleased to state the number of Moplahs in the Customs Service in Malabar as (i) peons, (ii) clerks and (iii) other officers?

The Honourable Sir George Schuster: There are four Moplah peons in the Customs Department in Malabar. One Moplah Sub-Inspector of Customs and one Moplah clerk are employed in the Department elsewhere but are liable to transfer to Malabar.

MOPLAHS IN THE SALT DEPARTMENT IN MALABAR.

349. Mr. Uppi Saheb Bahadur: Will Government be pleased to state the number of Moplahs in the Salt Department in Malabar (i) as peons, (ii) as clerks and (iii) other officers?

The Honourable Sir George Schuster: There is no establishment of the Salt Department in Malabar District or anywhere on the Malabar coast.

MOPLAHS IN THE INCOME-TAX DEPARTMENT.

350. Mr. Uppi Saheb Bahadur: Will Government be pleased to state the number of Moplahs in the Income-tax Department (i) the peons, (ii) clerks and (iii) other officers?

The Honourable Sir George Schuster: Presumably the Honourable Member wants information regarding the Income-tax Department, Madras. No Moplah is at present employed in the Department permanently.

APPEALS OF RAILWAY EMPLOYEES AGAINST THE ORDERS OF PUNISHMENT, ETC.

351. Mr. M. Maswood Ahmad: Will Government be pleased to state whether in cases where the orders of punishment, etc., are communicated to the railway employees concerned over the signature of some other officer for the Divisional Superintendent, an appeal against those orders lies to the Agent of the Railway or to the Divisional Superintendent himself?

Mr. P. E. Rau: According to the rules regulating the discharge and dismissal of State Railway non-gazetted Government servants, a copy of which is already in the Library of the House, an appeal from an order of discharge or dismissal lies only to the authority next above the officer passing the order, provided that if the order was issued by the Agent himself no appeal lies from it. An employee who is dismissed with the forfeiture of Provident Fund bonus has the right of appeal to the Railway

Board. The question whether an appeal in such a case as that referred to by the Honourable Member lies to the Agent or the Divisional Superintendent depends on whether the orders of punishment were passed by the Divisional Superintendent or by one of the officers subordinate to him.

CONSIDERATION OF THE SERVICES OF THE RETRENCHED RAILWAY EMPLOYEES ON RE-APPOINTMENT, ETC.

352. Mr. M. Maswood Ahmad: Will Government be pleased to state whether the services of the retrenched railway employees on re-appointment or re-instatement are considered as continuous services or not?

Mr. P. R. Rau: No. But for purposes of leave and gratuity the break in service can under certain circumstances be condoned. For fuller information on this point I would refer my Honourable friend to the Railway Department's circular No. 1635-E.G., of the 30th December, 1932, a copy of which is available in the Library of the House.

RETRENCHMENT OF MINISTERIAL STAFF IN THE ARMY HEADQUARTERS.

353. Mr. Goswami M. R. Puri: Will Government please lay on the table of this House a statement showing:

(a) by what amount retrenchment has been carried out in regard to ministerial establishment in the Army Headquarters from 1929 to date, year by year separately; and

(b) the total retrenchment carried out during the same period in the whole of the Army budget?

Mr. G. R. F. Tottenham: (a) The information is being collected and will be laid on the table in due course.

(b) The information will be found in the "Memorandum on the Defence Estimates for 1933-34" prepared by the Financial Adviser, Military Finance, and the papers referred to in paragraph 15 of that Memorandum which were furnished to the Members of the Legislature.

VACANCIES IN THE ARMY HEADQUARTERS.

354. Mr. Goswami M. R. Puri: (a) Will Government kindly furnish a statement showing:

(i) the number of vacancies which occurred in the Army Headquarters and the manner in which they were filled during 1933;

(ii) the number of vacancies created during the year 1933 in the Army Headquarters, and how they were filled?

(b) Is it a fact that certain appointments were created in the Army Department Secretariat, but their cost was met by the military budget? If so, why, and how were the appointments filled?

Mr. G. R. F. Tottenham: (a) The information asked for is given in the statement below:

Office.	Vacancies occurred during 1933.		Vacancies created during 1933.	
	No.	How filled.	No.	How filled.
G. S. Branch . . .	4	Recruited from British Regiments.	..	..
A. G.'s Branch . . .	2	One by inter-departmental transfer and one by external recruitment.	..	..
Q. M. G.'s Branch . .	11	External recruitment . .	4	External recruitment.
M. G. O. Branch . . .	3	Ditto . . .	..	..
M. S. Branch . . .	4	One by recruitment from British Regiment, two by external recruitment and one by absorption of a supernumerary.	..	..
E.-n.-C.'s Branch . .	3	External recruitment . .	..	..
Medical Directorate . .	2	Ditto . . .	..	..
J. A. G. . . .	1	Ditto . . .	..	..
A. M. S. (P.) . . .	1	Absorption of a supernumerary.	..	..
Contracts Directorate .	2	External recruitment . .	11	External recruitment.
A. D. O. S. (P.) . . .	2	Ditto . . .	1	Ditto.
R. A. F. . . .	2	Ditto . . .	..	..

(b) One appointment of Assistant was created in order to cope with certain special and additional work connected with cantonment water supplies which had been transferred to the Army Department from a Branch of Army Headquarters. Its cost was for this reason debited to the Cantonment budget in the Defence Estimates. The appointment was filled in accordance with the rules governing the recruitment of ministerial establishments of the Government of India offices.

APPOINTMENT OF TRAIN CONTROLLERS ON THE NORTH WESTERN RAILWAY.

355. **Mr. S. G. Jog:** With reference to Government's reply on the 13th November, 1931, to my question No. 1292 sub-para. (d) (i), will Government kindly state if there are sufficient Train Controllers now available? If so, what steps have so far been taken by the Agent, North Western Railway, to provide these men with appointments of higher grades since 1931?

Mr. P. R. Rau: I have called for the information and will lay a reply on the table in due course.

CURTAILMENT OF THE LUNCHEON INTERVAL.

Mr. President (The Honourable Sir Shanmukham Chetty): A representation has been made to the Chair that the representatives of Parties, with a view to expediting the progress of this Bill, would like that for today and for the next week the luncheon interval might be cut short. The Chair has accordingly, to meet their desire, decided that for today and for the next week the luncheon interval will be only for three-quarters of an hour, that is, from a quarter past one to two.

Dr. Ziauddin Ahmad: Sir, three-quarter of an hour, as I pointed out in the Committee, is not sufficient for the Muslim Members as they have to offer their prayers and also to take lunch. When the month of Ramzan begins, I will be quite prepared to have only 15 minutes for interval.

Mr. President (The Honourable Sir Shanmukham Chetty): This is one of those typical cases in which the Chair looks in vain to guidance from the representatives of the Parties. It was represented to the Chair this morning that it was the desire of the representatives of the Parties that the luncheon hour should be cut down to half an hour. That was the decision taken yesterday at a meeting of the representatives of the Parties. But, with a view not to causing too much inconvenience, the Chair decided to cut out three-quarters of an hour from the luncheon interval and yet the Honourable Member says that that does not suit him and he wants an hour. The luncheon interval will be three-quarters of an hour.

 THE RESERVE BANK OF INDIA BILL.

Mr. President (The Honourable Sir Shanmukham Chetty): The House will now resume consideration of the Reserve Bank of India Bill.

The question is:

"That clause 27 stand part of the Bill."

Mr. Latchand Navatrai (Sind: Non-Muhammadan Rural): Sir, I move:

"That in clause 27 of the Bill, the word 'excessively' be omitted."

Sir, this is a very small amendment and it aims at the cutting away of one word only from clause 27. Clause 27, as it stands, reads thus:

"The Bank shall not re-issue bank notes which are torn, defaced or excessively soiled."

Now, Sir, my objection is that when a note is soiled, it should not be re-issued. There should be no degrees in deciding as to how much it is soiled. It is with that object that I am requesting that the word "excessively" should be taken out. If this word remains there, then there would be a very serious question before the officer who decides as to what a soiled note is. The meaning of the word "excessively", as given in the dictionary, is "going beyond what is right or wise". Now, the wisdom and the righteousness of it has to be decided by the officer who has got to say, when certain soiled notes are placed before him, that for such and such note there should be a re-issue and for such and such there should

be no re-issue. The question as to what is wise is a very philosophical one and it can be decided only by the philosophers and not by those who are at the desk to decide whether a particular note is excessively soiled or not. I fail to understand what will be the test to decide what is soiled, what is a little more soiled and what is much soiled and what is excessively soiled. It may be, Sir, that, as in the case of deciding the degree of diesel oil, the Honourable the Finance Member has been able to get a test lamp from England, some such lamp may be used in the case of testing the soiled notes as well. I submit there will be several difficulties. Suppose, in the estimation of the officer concerned a note is not excessively soiled, but it has spots and it is re-issued, it might get torn at the spots and the holder of the note will lose his money. Why should you not, therefore, merely say that if a note is torn or is defaced or soiled, it will not be re-issued. If the view of the Government is that by using the word "excessively" some economy is going to be effected by the re-issue, then they should have said in the clause—when a note is excessively torn or excessively defaced or excessively soiled, then only it will not be re-issued. I cannot understand why excessive soiling has been considered, but not the excessive tearing or defacement. Sir, I need not take any more time on this amendment. It is a matter which can very well be appreciated. It is on behalf of the general public that I say that there should be no re-issue of notes, otherwise people might spoil the spoiled ones a little bit more and lose their money. I hope the House will realise that this is not only a nominal difficulty, but there is some substance in it. Therefore, I submit that this amendment is such that the House should accept it.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in clause 27 of the Bill, the word 'excessively' be omitted."

The Honourable Sir George Schuster (Finance Member): If my Honourable friend has any doubt as to the meaning of the word "excessive", I might give him a practical illustration by saying that I think his speech was excessively long (*Mr. Lalchand Naralrai*: "It was only to move the Honourable Member that I did it") having regard to the importance of this amendment. We must leave some discretion to the officers that have to deal with this matter. If we say "soiled", then it would mean that no note can ever be re-issued, because every note, once it has been in any user's pocket, is to a certain extent soiled. I think that this is an unreasonable proposal and that the clause, as it stands, is not liable to abuse. I oppose the amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in clause 27 of the Bill, the word 'excessively' be omitted."

The motion was negatived.

Clause 27 was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 28 stand part of the Bill."

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, I beg to move:

"That for clause 28 of the Bill, the following be substituted:

'28. The Bank is required to give compensation for damaged, mutilated or imperfect currency notes of the Government of India or Bank notes, where the bearer presents a part of the note which is larger than one half of the whole or, if he produces only the half or less, can prove that the rest has been destroyed.

That Bank is under no obligation to give compensation for notes which have been destroyed or lost;

Provided that the Bank may, with the previous sanction of the Governor General in Council and approval of the Central Legislature, prescribe the circumstances in and the conditions and limitations subject to which the value of such destroyed or lost currency notes or bank notes may be refunded as of grace.'

Sir, the difference between the original clause and my amendment is that, in the original clause of the Bill, the lost, stolen, mutilated and imperfect currency notes are treated alike. That is to say, if the notes are lost, stolen, mutilated or are imperfect currency notes, they will be subject to the rules and the money may be refunded as a matter of grace. In this amendment I have divided these defects into two different clauses, namely, (1) those which are mutilated and imperfect, and (2) those which are lost and stolen. In the case of the lost and stolen notes, we make rules subject to the approval of the Legislature as to how the money should be paid. But, in the case of the imperfect and mutilated currency, the money ought to be paid in full. That is really the difference between the original clause and my amendment. I should like to point out that the present rule is in accordance with section 29 (d) of the Indian Paper Currency Act, which prescribes the circumstances in which and the conditions and limitations subject to which the value of lost, mutilated or imperfect currency notes may be refunded at the office of issue.

The Honourable Sir George Schuster: May I point out to my Honourable friend that we have agreed to set up a small expert Committee to make recommendations as to the rules dealing with cut notes and we propose that this Assembly should be represented on that Committee. I suggest to my Honourable friend that in that way we shall arrive at the best means of dealing with what is a very difficult question, and, until we get that Committee's report, it is very difficult to put in definite provisions in the Bill.

Dr. Ziauddin Ahmad: What I still emphasize and which has not yet been achieved is that the two classes should be separate, that the case of lost and stolen notes is different from the case of mutilated and imperfect currency notes. These two classes ought to be differentiated and that is really the object of my amendment. The present rules have worked very much against the interests of the public. It is not realised that these currency notes are really sacred promises. When I purchase a currency note I must have full confidence that the money will be paid in full. That is really the underlying idea, and the moment it is lost, if the Government are out to confiscate the money under slight excuses, then the confidence which the public has got in these currency notes will be very much shaken. This is really a very important thing, and even the European Chamber of Commerce has made representations to this effect. This question was taken up by the Legislative Assembly during my

absence and I find that a Resolution was moved during the last Simla Session by my Honourable friend, Mr. Muhammad Muazzam Sahib Bahadur, and the Resolution reads thus :

"That this Assembly recommends to the Governor General in Council to reconsider the present policy of Government discouraging, and, for that purpose, penalising the cutting of Currency Notes into halves for facility of transmission by post, as such transmission is considered by the business world to be required in the interests of business."

This Resolution was moved on the 31st August, 1933, and to this an amendment was moved by Mr. Ramakrishna Reddi which says :

"That at the end of the Resolution the following be added :

'and to amend the rules with retrospective effect, in such a manner as to secure the following objects :

- (i) When the owner of currency notes has received payment of half the value, being able to produce one half of the notes, the other halves being lost, he should be able, either on immediate proof of his ownership, after due public notice or on non-production or non-presentation of the other halves, within a fixed period to obtain payment of the value of the lost half.
- (ii) When the second halves of currency notes are presented for payment after half their value has been paid on the presentation of one-half of these notes, payment should not be made to such presenter without notice to the person who has received the previous payment and except on proof that he had the preferential title to the currency notes.
- (iii) When the owner of a currency note, having received payment of half the value, being able to produce one half of the cut note which bears the complete undivided serial letter and number, produces the other half of the cut note which has been cut in such a way that the serial letter and number has been divided, but when both the halves are put together, are identifiable as parts of the same note, and its serial letters and numbers are clearly identifiable, he should be able to obtain payment of the value of the other half."

These were really the important points in the Resolution and in the amendment. I do not want to quote from the speeches delivered on that occasion, but some of the very important points had been brought out by Mr. Muazzam Sahib, Mr. Ramakrishna Reddi and Mr. Vidya Sagar Pandya. These are really matters of very great importance, because this will affect the general practice of trade and commerce in this country. We all know that India has not got banking facilities and we cannot write cheques at every place and that most of the trade is now being carried on by means of transmission of currency notes through post offices. But there are two difficulties in the way, firstly, the charges are enormous and, secondly, a money order cannot be utilised for an indefinite amount.

The Honourable Sir George Schuster: May I also point out to my Honourable friend that we are considering this and I hope we shall be able to introduce arrangements for giving free remittance facilities as between the branches of the scheduled banks, and that will get over the whole of this difficulty about the use of cut notes. I would assure my Honourable friend that we are dealing with this matter and that it is not a matter which arises really in connection with this Bill. What we want to do is to get something into operation soon.

Dr. Ziauddin Ahmad: What the Honourable Member said applies to places where there will be a bank. What about places where there are no

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banks at all, and so their difficulties will not be solved. Not only important towns have not got banks, but there are certain districts which have no bank of any kind. The solution which my Honourable friend suggests will not solve the difficulty at all. It will solve the difficulty only as far as bigger towns are concerned. But we are really concerned with trade and commerce in smaller towns where there are no banking facilities. This position, which I am going to explain, still remains unsolved in spite of the assurance of the Honourable Member. I shall, therefore, continue to develop my argument. I do not want to give the substance of the argument brought forward on that occasion, because the proceedings of the Assembly are available and I would just remind Honourable Members of the assurance which the Honourable the Finance Member gave on that occasion :

"My own idea is that the Select Committee on the Reserve Bank Bill might propose—and I would very sympathetically consider the proposal—that a small expert Committee should be set up to consider what is the right thing to do now in relation to this practice."

The question was taken up by the Joint Select Committee on the Reserve Bank Bill and, in the report of the Select Committee it is said :

"We have retained this clause pending examination by a small committee of official and non-official experts, which should meet as soon as possible, of the whole question of the rules regarding payment on lost, stolen or mutilated or imperfect currency or bank notes. We may add that if our recommendation that the Reserve Bank should offer free remittance facilities to scheduled banks between their branches is accepted, the question of the rules referred to above may lose much of the importance that is now attached to it."

This is really what the Honourable the Finance Member has just said from the substance of the Majority Report of the Select Committee. I may remind him that this will help only the bigger towns where banking facilities exist, but it will not affect the smaller towns where no such facilities exist. The only solution is that certain facilities ought to be provided for the transmission of these paper currency notes. It is impossible within a limited time to introduce branches of banks in all the important places which carry on trade, but this form of transmission of money should not be disallowed immediately till banking facilities have been provided. The argument which has been advanced has not great force under the existing conditions and will not have great force for some time to come. Therefore, I still insist that such a provision ought to be provided and the notes ought to be differentiated in two ways, that is, those notes which are lost and those notes which are really spoiled and mutilated. These should not be treated alike and separate rules ought to be framed. That is the intention of my amendment. In my amendment, I am really quoting from a clause from the Reich Bank rules in Germany. There it says :

"The Bank is required to give compensation for damaged notes, where the borrower presents a part of the note which is larger than one half of the whole or, if he produces only the half or less, he can prove that the rest has been destroyed. The Bank is under no obligation to give compensation for notes which have been destroyed or lost."

In this way the differentiation has been made in the two classes of cases, where the notes are lost or destroyed and the notes which have been

mutilated. This clause is very important, because it will affect substantially the trade in smaller towns and also it will affect substantially the position of those poor people who do not know how to keep them in really good condition.

Sir, we find very often that examples are quoted of certain banks which will suit our own purpose. This reminds me of an incident when a person asked my opinion about the selection of his wife. I told him that the best wife to select would be an Indian wife about whom he would know what she is and she would know what he is. But he said that he wanted to lead an international life and must have an international wife. So he consulted some of his friends what should be the standard of beauty of this international wife. As regards her hair one of his friends said that he must follow the South African ideal of beauty and she should have long hair, because that is the latest fashion. Another friend got up and said that that was not the latest model, but he must follow the Chilean standard and a bald headed woman would be certainly better than one with long hair. Then, as regards the eyes, it was suggested that perhaps it would be well to have eyes similar to the women of Bulgaria and of Greece. His friends said that this was not a good example, but he must have eyes of the type of Esthonian women and Swiss women. So, by this, they selected a wife who could only be obtained by a mixture of international ideas of beauty. But how was this international wife to be obtained? It was suggested that this wife could only be purchased at the Bank of International Settlement. So they went to this Bank to get this wife, but what actually happened was that this wife died after the purchase and when the entire amount was paid up. This will be just the tragedy with the Bank which we are establishing and we will be exactly in the same position. The Finance Member has always been quoting examples which suit him and he avoids examples which do not suit him. So in this particular case we should follow what the civilised countries do and I should like to know the position in the Bank of England. There the notes are not mutilated and cut on account of the banking facilities which exist, but, at the same time, there is no rule of this kind even in England and I have quoted the example of Germany where no rule of this kind exists. Therefore, it is very hard for the poorer people if you do not allow them full value for their notes which they purchased in good faith. And if excuses are found to rob the poor people in order to fill up the pockets of Government and, in future, of this Reserve Bank, it will be quite unfair, and the people will begin to lose confidence in the currency notes of this country. And if people lose faith in the currency notes of the country, it will be very hard for the Reserve Bank and for any country. Therefore, I think it is very desirable that every effort should be made to honour the promises made at the time when these notes are issued and every facility should be given to honour them, unless, in the case of notes, which are lost or destroyed, it is proved that they were not really lost or not really destroyed. So, if the notes are mutilated or defaced, provided you can make out and identify them, the full value ought to be paid, and it should not be as a matter of grace, but as a matter of right, because they purchased the notes and should so they get their full value and it should not be made an excuse for not paying and thus robbing the poor people by an indirect method. The only argument that can be advanced in favour of this motion is that probably the transaction will be going on by this operation and may affect adversely the banking operation. It would have some force had the banking facilities

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been wider and banks existed in all the important towns. But here we have got a very large number of towns which have no banking facilities of any kind and there is no other cheap method of sending money. As I said before, the post office is the only other alternative, but the difficulty there is that the cost is prohibitive and you cannot send money up to any degree. Therefore, we ought to consider these things. My Honourable friend has suggested that an expert Committee was going to be appointed, and he has given an assurance on this matter. I have no doubt that an expert Committee will very likely be appointed; but, in the face of this particular clause, when no differentiation has been made between two different varieties, I do not know what the Committee will do. The other thing is that we have been legislating very often on assurances. Assurances in matters of law have no force whatever. We have seen yesterday that on a particular issue the Finance Member said that Government Members would remain neutral, but when votes were actually demanded they changed their minds and voted on the motion. So those assurances given in speeches on the floor of the House in order to secure votes have no meaning whatsoever, but, of course, assurances given by the Governor General in Council after mature consideration have got some force. So this is rather an important matter and we cannot leave it to an offchance of a Committee being appointed which may give a decision which may or may not be acceptable. I think, therefore, that my amendment is very important and I hope the Finance Member will accept it.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That for clause 28 of the Bill, the following be substituted:

"28. The Bank is required to give compensation for damaged, mutilated or imperfect currency notes of the Government of India or Bank notes, where the bearer presents a part of the note which is larger than one half of the whole or, if he produces only the half or less, can prove that the rest has been destroyed.

That Bank is under no obligation to give compensation for notes which have been destroyed or lost;

Provided that the Bank may, with the previous sanction of the Governor General in Council and approval of the Central Legislature, prescribe the circumstances in and the conditions and limitations subject to which the value of such destroyed or lost currency notes or bank notes may be refunded as of grace."

Mr. B. V. Jadhav (Bombay Central Division: Non-Muhammudan Rural): Sir, I rise to support the amendment. There is no doubt that the practice of mutilating or cutting notes into halves ought to be discouraged and the Honourable the Finance Member has been taking certain steps to stop that practice. One of the remedies proposed is that facilities would be given for transmission of large sums of money from the Reserve Bank to the branches of the scheduled banks. That, I think, is a move in the right direction, and the House will appreciate this move. But, as has been observed by Dr. Ziauddin Ahmad, banking facilities are not available at every place, and trade and commerce is going on even in small places where money is required to be remitted from the head offices of those firms. There are many district towns in which there is no branch of a scheduled bank. For instance, Satara is one of those places which was my constituency for a number of years. Satara is not a very important place of business: it has got a very small population of about 20,000: there is no local bank or a branch of any scheduled bank:

therefore, if money is required to be sent to such a place, then either the post office has to be taken advantage of or else currency notes have to be sent through the post. That is the only remedy; and, in sending currency notes, the safest course is to cut them into two halves and send the first half and, when they have reached their destination, then to send the second halves. As Government desire that this practice of cutting notes should be stopped, there is one remedy which, I venture to suggest, is that the Provincial Co-operative Banks should be taken in the list of scheduled banks. Even a Provincial Bank has not got actually branches in many places: there are about 10 or 12 branches of that Bank in the Bombay Presidency, but then there are people's banks, there are also village banks, and so on, which are affiliated and which are working through the Provincial Co-operative Bank. So if facilities for transmitting money through these co-operative societies and people's banks and district banks are given, it will, of course, be a very great advantage and will afford good facility to the merchants and traders of various places. And then this process of cutting currency notes into halves can be stopped. In the Simla Session, a promise was made of appointing a Committee; but some months have passed and we are still in the same position. I hope the Finance Member will now, when this legislation is out of the way, appoint this Committee and set this matter at rest. As Dr. Ziauddin Ahmad has pointed out, clause 28 provides for all three contingencies and piled them into one—mutilated notes, lost notes and stolen notes. Of course, the Bank or Government cannot take any serious notice of stolen or lost notes, because, if they were going to give compensation for them, perhaps much dishonesty might creep in and Government might find it very difficult to find out which are the genuine claims and which are the bogus ones. But, in the case of mutilated notes, there is no such difficulty, because, a portion, more than half of the currency note, is actually presented and, therefore, the claim is so far substantiated, and such cases ought certainly to be distinguished from the other cases in which there is not sufficient proof of the genuineness of the claim. Therefore, I think the Honourable the Finance Member should accept this amendment, because this real distinction between a mutilated note and a lost or stolen note is certainly necessary: The proof in the first case will not have to be so very strict, while, in the latter cases, it will have to be strictly proved. I trust that this amendment will be taken into consideration as it is supported by this House.

The Honourable Sir George Schuster: Sir, I must oppose this amendment. I quite recognise that there have been complaints about our rules for dealing with cut notes, and I have already indicated that we are willing to give the fairest possible consideration to the whole position and, if necessary, to alter the rules. I undertook that we would set up a small expert Committee and, as I have already said, we propose to associate one or two Members of this House with that Committee, and that we are going to do. I have not been able to take any steps yet, because I made it clear when I gave that undertaking that this whole matter, was subject to the consideration of the Select Committee on this Bill, and, as Honourable Members know, that consideration has only just been concluded; but we do propose to take steps at once, as soon as this Session is over, to get the Committee together. I think that those Members who have spoken have probably no practical knowledge of the problems, which the currency authority has to deal with in the way of mutilated

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notes. Our experience has made us to come to the conclusion that this must be a matter on which there is discretion and that the right of those who present mutilated notes must be limited in the sense given in this clause that any compensation given must be given as of grace; and what I say on this applies to certain other amendments which are down later in the list. For instance, if somebody comes along and presents a wad of charred notes which often happens, and the numbers may be obliterated, it is quite possible that those notes may be forged notes; the matter has to be gone into very carefully and what can be done, by the currency authorities must be left to their discretion. What I mean by that is that there must be a certain number of marginal cases which can only be decided according to the discretion of the currency authorities. There might, I quite admit, be certain cases which are quite clear, but if you want to cover all the cases, you must leave a loophole for marginal cases which are not clear, and in those cases compensation can only be given as of grace. That is my real objection to this amendment, that it seeks to lay down an absolute binding obligation on the Bank, an obligation which may have to be applied in cases where it would put the Bank in an entirely unfair position. We feel that this is a matter which deserves further investigation and that, closely connected with this problem, is the problem for remittance facilities as between various parts of this country. The Committee which we set up will be able to consider that linked problem of remittance facilities, not merely remittances as between Banks, but also whether the remittance facilities given by the post office now are adequate and cheap enough. I can assure the House that the whole question will be fully considered, and I must ask them to accept our view that this amendment, as it stands, would put the new Bank into an impossible position.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That for clause 28 of the Bill, the following be substituted:

"28. The Bank is required to give compensation for damaged, mutilated or imperfect currency notes of the Government of India or Bank notes, where the bearer presents a part of the note which is larger than one half of the whole or, if he produces only the half or less, can prove that the rest has been destroyed.

That Bank is under no obligation to give compensation for notes which have been destroyed or lost;

Provided that the Bank may, with the previous sanction of the Governor General in Council and approval of the Central Legislature, prescribe the circumstances in and the conditions and limitations subject to which the value of such destroyed or lost currency notes or bank notes may be refunded as of grace."

The motion was negatived.

Mr. Lalchand Navalrai: Sir, I move:

"That in clause 28 of the Bill, after the words 'or bank note' the words 'as would be defined by the Governor General in Council' be inserted."

This is an amendment which, when read with the clause itself, would make out that any person may not be entitled to get the money on notes which are lost, stolen or mutilated or imperfect. My object in moving this amendment is to get a definition of what is a mutilated or imperfect note, and it should be properly defined by the Governor General in Council. My amendment is simpler than the previous one. . . .

The Honourable Sir George Schuster: Has my friend read the proviso, because, I think, that meets his point:

"Provided that the Bank may, with the previous sanction of the Governor General in Council, prescribe the circumstances in, and the conditions and limitations subject to which the value of such currency notes or bank notes may be refunded as of grace."

That kind of definition which my friend has in mind would be covered by that proviso.

Mr. Lalchand Navalrai: Sir, it seems to me that it is not clear enough.

The Honourable Sir George Schuster: Much clearer.

Mr. Lalchand Navalrai: I have not asked for any Statutory provision to be made, nor do I suggest that the definition should be embodied in the Statute itself. I only ask that it should be properly defined by rules. Now, the Finance Member has drawn my attention to the proviso, but if the definition of a mutilated or imperfect note will be clearly put down in certain rules, I shall consider whether I should press for this amendment or not; all that I want is that the definition of a mutilated or imperfect currency note should be properly defined, because, in practice, we have seen that very fanciful interpretations are put upon the words "mutilated or imperfect currency notes". This question was fully debated at the last Simla Session and instances were given of notes which were rejected,—which should not have been rejected,—with the result that people actually lost money, simply because the officer, who decided what a mutilated note was, gave a wrong decision. In the case of a note which is cut, sometimes there may be a slight mistake in re-joining it. A man takes care when cutting these notes, but if he makes a little mistake in cutting it, and if one of the figures, say, for instance, 19—the figure one goes on one part of the note and the figure nine to the other,—such notes are rejected, and the people get no value for such notes. These are real difficulties which people feel in every day experience, and I would be prepared to withdraw this amendment if the Honourable Member assures me that the Committee that is going to be appointed will consider this question and clearly lay down the definition.

The Honourable Sir George Schuster: Yes, Sir, that is really the essence of our intentions. I would remind my friend that in the Currency Notes Refund Rules definitions are given; there is a definition of mutilated note, mismatched note, an obliterated note, and so on. That is one of the points that this Committee will have to consider. It really was intended to be covered by this proviso.

Mr. Lalchand Navalrai: In view of the statement made by the Honourable the Finance Member, I would only say that the present definition seems to be very misleading, and it is on account of such a definition that notes are often refused. Therefore, now that the Honourable Member has given me an assurance that the question will be considered by that Committee in all its bearing, I do not wish to press for this amendment, and I would ask the leave of the House to withdraw it.

The amendment was, by leave of the Assembly, withdrawn.

Dr. Ziauddin Ahmad: Sir, I move:

"That in the proviso to clause 28 of the Bill, after the words 'Governor General in Council' the words 'and approval of the Central Legislature' be inserted."

Sir, we have got a very sad experience of the rules that now exist, and the convenience of the public is not sufficiently taken into consideration, and if the rules framed by this expert Committee will be laid before the Executive Council, then only the convenience of the public will be fully considered. It very often happens that these rules are framed not for the convenience of the public, but for the convenience of the officers, and they always forget that the officers exist for the convenience of the public and not that the public exist for convenience of the officers or the Departments. They first consult what is most convenient for the officers to do, what is the method by which they could save, say, Rs. 200, and probably one clerk could be spared. They do not consider that, by spending a small sum of money, they will very much increase the facilities of the general public. It is only when this question comes before the Legislature

The Honourable Sir George Schuster: I do not know whether it will meet my friend, but I should be quite prepared to accept an amendment that these rules should be laid on the table of the House. I think that would be more satisfactory than my friend's proposal, because that would give an opportunity to the House to raise any particular points for discussion. If my friend would like to alter his amendment so as to provide for that, I shall be quite prepared to accept it.

Dr. Ziauddin Ahmad: I am prepared to agree if he alters the amendment in the sense he has just suggested.

Mr. President (The Honourable Sir Shanmukham Chetty): The amendment may be in this form:

"At the end of the proviso to clause 28 of the Bill, add the following words: 'and the rules made under this proviso shall be laid on the table of both Houses of the Central Legislature'."

Dr. Ziauddin Ahmad: Yes, Sir, that would be all right.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is that that amendment in the amended form be accepted.

The motion was adopted.

Mr. T. N. Ramakrishna Reddi (Madras ceded Districts and Chittoor: Non-Muhammadan Rural): Sir, I move:

"That in the proviso to clause 28 of the Bill, the words 'as of grace' be omitted."

The Finance Member has made a statement that a special Committee would sit and frame certain rules regarding mutilated currency and bank notes. These words "as of grace" will give a lead as it were to the Committee that whatever they do will be done only as a matter of grace. When you are appointing an expert Committee to go into the question, we should leave everything to their hands and abide by the rules which they frame. This phrase "as of grace" restricts the scope of

the enquiry of the Committee. That is why I want that these words should be omitted in order to give the Committee a free hand to frame rules in such manner as they deem fit.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in the proviso to clause 28 of the Bill, the words 'as of grace' be omitted."

Dr. Ziauddin Ahmad: I have given notice of a similar amendment that these words should be removed. Whenever currency notes are presented, the value of those notes is not given as a matter of grace, but as a matter of right. If the currency notes are effaced or not properly presented, then we have to make rules whether we can exercise the right of asking for the value of those notes. Again, if the Government be the authority, I would not seriously object to the words "as of grace", because we know that the words "as of grace" in the case of Government have some meaning and probably it will be exercised in favour of the person to whom the value is given. But the position is very different when the awarding authority is a bank. When you provide a loophole by adding the words "as of grace", you may take it that in 99·99 per cent. of the cases the Bank will not give the value of the notes to the person who presents them. When the Bank knows that it is giving this money only as a matter of grace and not as a legal liability, it is very likely that it would never pay. I would not have insisted very strongly on the deletion of these words, if the power had been in the hands of the Government, because Government would probably do justice. The Bank, on the other hand, would try to fill up its pockets. The Reserve Bank having become a Shareholders Bank, the position has been altered, though I would not have seriously objected to the words "as of grace" if the Bank had been a State Bank, because the State would also consider the interests of the public. I am afraid that these words might give a loophole, that might lead to serious litigation. You may frame rules, but the Bank may say, "Since it is a question of grace, it would not like to give the amount to you". You might argue that the word "grace" is used merely as a matter of politeness and that there are certain rules under which you must get it. Then the question will be taken to law courts. In order to be consistent, I think it is very desirable that these words should be omitted. As Honourable Members have got experience, if we retain the word "grace", the Bank will exercise the grace only in the case of those whom they want to favour, and not in the case of those to whom it would not be convenient to show favour. We should make rules which must be impartially applied to everybody and the payment should be made according to the rules, which the Honourable Member has given us to understand, will be framed by an expert Committee and will be laid on the table of the House.

Another difficulty is this. Perhaps the Finance Member has not got much experience of it, but those who deal with Banks have experience of it, and that is, if the deciding authority is some Rs. 30 or Rs. 40 clerk in a bank, how will he decide? Probably other considerations will come into play and those considerations will help him to decide whether the money should be paid or not. This will lead to a great deal of maladministration. Poor people will suffer enormously in the hands of the petty clerks, because little things will not go to the Agent; they will have to be dealt with by the person who sits at the counter of the Bank. I think, therefore, that the words "as of grace" should be removed in the interests of the

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convenience of the public, and the whole thing should be regulated by means of rules that may be framed in this behalf. Sir, I support the amendment.

Khan Bahadur H. M. Wilayatullah (Central Provinces: Muhammadan): I rise to oppose the amendment. We must take it that the main clause remains as it is, and that lays down:

"... no person shall of right be entitled to recover from the Governor General in Council or the Bank the value of any lost, stolen, mutilated or imperfect currency note of the Government of India or bank note."

Having laid down that a man cannot as of right claim a refund, when you add a proviso to permit a refund in special cases you must use the words "as of grace". If you take away the words "as of grace", it will mean that refund can be claimed as a matter of right. This will make the proviso inconsistent with the main clause. For this reason, I think these words "as of grace" are necessary. Again, you have the phrase "may be refunded as of grace". It means that in certain cases it may be refunded and in certain others it may not be refunded, and so you will have also to change the word "may" and the main clause will have to be considerably and substantially altered. For these reasons, I oppose the amendment.

Mr. B. R. Puri (West Punjab: Non-Muhammadan): I also intended to point out the same flaw, because, having passed the substantive provision where we have said that it will not be as a matter of right that a party would be in a position to make a claim, we cannot, for the sake of consistency, omit these words "as of grace" from the proviso. Otherwise it will create an anomalous position, and there will be a clear conflict between the substantive provision and the proviso which is added to it. Having committed ourselves to the main provision, I submit that we have got no other course left open to us but to allow the retention of these words.

The Honourable Sir George Schuster: My Honourable friends, who have just spoken, are, I think, perfectly right, and even if the words "as of grace" were omitted, the proviso could only have any meaning if the idea of grace was implied; otherwise it would have no meaning at all. On the merits also, I should have opposed this amendment, because, according to our experience, as I have already said, however well you may be able to frame the rules and however clear a proportion of the cases there may be falling under the rules, we find that there is always a certain margin of discretionary cases, and, if we omit any provision for dealing, as a matter of grace, with hard cases which are not covered by the rules, we shall really be doing something which is prejudicial to the persons who present these claims. My Honourable friend suggested that the officials of the Bank might not exercise this discretionary power fairly, because they would be thinking of the Bank's profit. But the Bank would, I presume, follow the same sort of procedure as we do in the Government. Now, we do not take into account profits from notes which are not presented until after a period of something like 40 years, and I do suggest to my Honourable friend that the Bank official who is dealing with this matter will not be much interested in the Bank's profits 40 years after. I think that this provision

as it stands, is well conceived, and I again repeat the assurance I have given that we will endeavour to see that very adequate rules are framed.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in the proviso to clause 28 of the Bill, the words 'as of grace' be omitted."

The motion was negatived.

Mr. President (The Honourable Sir Shanmukham Chetty). Mr. K. P. Thampan wants to add a new clause after clause 28. This deals with the profits of the Issue Department. There are various amendments at a later stage for the abolition of the Issue Department altogether, and since this in any case attempts to incorporate a new clause, the Honourable Member may, if he so desires, after all the clauses are disposed of, ask for permission to move for the addition of a new clause. It can be done if it is found necessary by the Honourable Member at that stage.

The question is:

"That clause 28, as amended, stand part of the Bill."

The motion was adopted.

Clause 28, as amended, was added to the Bill.

Clause 29 was added to the Bill.

Clause 30 was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 31 stand part of the Bill."

Dr. Ziauddin Ahmad: My amendment No. 220 is practically the same as Nos. 221 and 222. I do not like to move 220, but I shall move Nos. 221 and 222 at the same time. I beg to move:

"That in the proviso to clause 31 of the Bill, the word 'or', in the fourth line, be omitted and that, at the end of the proviso to clause 31 of the Bill, the words 'or constituent' be added."

After this amendment, the proviso in the original Bill will read as follows:

"Provided that cheques or drafts *including* hundis, payable to bearer on demand or otherwise, may be drawn on a person's account with a banker, shroff, agent or constituent."

This is really a very important amendment and, if it is not accepted, it will create a great handicap to trade in the country as it is carried on at present. In the old Currency Act, we have got a similar provision which says,—it is on page 11, section 25:

"Provided that cheques or drafts payable to bearer on demand or otherwise may be drawn on bankers, shroffs or agents on their customers or constituents in respect of deposits of money in the hands of the bankers, shroffs or agents and held by them at the credit and disposal of the person drawing such cheques or drafts."

I will tell you how it will affect the whole thing. If you add the words "or constituent", it is quite possible to draw hundi by any tradesman in

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Upper India to a man from whom he is going to sell or purchase in Calcutta. In India the banking facilities are very very limited and, if this hundi system is abolished, persons carrying on trade in smaller towns will be very much handicapped. In the next clause, there is a penalty provided. The clause says that if any one violates clause 31 and writes a hundi, he will be punished. This practice of writing hundis is very convenient. It has got the sanctity of centuries behind it. It has been tested and immensely used in this country in the absence of regular banking facilities, and I want that these facilities should not be curtailed unnecessarily in this country, when we all know that there are not enough banks in this country and there will not be enough banking facilities for some time to come. If you had established banks in various places, then there would have been some sense in this provision. The provision which actually existed in the Currency Act has been removed by this new Bill. This may be a small matter from the point of view of this Bill, but from the point of view of trade, this is a very important amendment. People have already been seriously affected and, if this facility is also denied to them, then trade will be hampered. Hundis are sent by one person to another in the name of a third party. This is the way in which business has been carried on for generations and this system should not be done away with by a stroke of the pen as is sought to be done. I urge the Honourable the Finance Member to accept the addition of the words I have proposed. I know this practice prevails very largely in Upper India and I would strongly urge that the present facilities be not denied. With these words, I move my amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in the proviso to clause 31 of the Bill, the word 'or', in the fourth line, be omitted and that, at the end of the proviso to clause 31 of the Bill, the words 'or constituent' be added."

The Honourable Sir George Schuster: I did not interrupt my Honourable friend, because I had found that interruptions were not always very effective, but my Honourable friend has represented this clause as providing a revolutionary change in the existing position, and he has said that we are departing from the practice as prescribed in the Indian Paper Currency Act of 1923. May I read to my Honourable friend again the provision to which he was referring? It says:

"Provided that cheques or drafts payable to bearer on demand or otherwise may be drawn on bankers, shroffs or agents by their customers or constituents."

Not on constituents. I confess, when I read this amendment, I was quite unable to understand what it meant. The only constituents I had in mind were the constituents of Members of this Assembly, and I thought my Honourable friend, having been excluded from any power of sitting on the Central Board of the Reserve Bank, was anxious to set up as a note-issuing authority by drawing drafts on demand on his constituents. (Laughter.) That may be a desirable position, but my Honourable friend has misread the clause. He has not appreciated that this clause is the ordinary form which has been in existence, I think,

for over fifty years, the purpose of which is to prevent any private individual issuing what would be the equivalent of a bank-note, putting into circulation what would be treated, as I say, as a bank-note. The exception made is that an individual may draw a draft or cheque on his banker.

Dr. Ziauddin Ahmad: May I ask one question? Is the provision here the same as in the Paper Currency Act?

The Honourable Sir George Schuster: It is exactly the same in effect.

Dr. Ziauddin Ahmad: Now, in both cases you will find that it may be drawn on bankers, shroffs, customers or constituents, but here we find that they are drawn on shroffs and agents, and that there is no mention of constituents?

The Honourable Sir George Schuster: It makes no difference at all. In this case we say:

"Provided that cheques or drafts, including hundis, payable to bearer on demand or otherwise may be drawn on a person's account with a banker, shroff or agent."

The proviso as amended would read:

"Provided that cheques or drafts, including hundis, payable to bearer on demand or otherwise may be drawn on bankers, shroffs or agents by their customers or constituents."

Mr. President (The Honourable Sir Shanmukham Chetty): Order, order. The question is:

"That in the proviso to clause 31 of the Bill, the word 'or', in the fourth line, be omitted and that, at the end of the proviso to clause 31 of the Bill, the words 'or constituent' be added."

The motion was negatived.

Clause 31 was added to the Bill.

Clause 32 was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 33 stand part of the Bill."

Mr. T. N. Ramakrishna Reddi: Sir, my amendment is:

"That in sub-clause (1) of clause 33 of the Bill, for the words 'Issue Department', wherever they occur, the word 'Bank' be substituted."

Mr. President (The Honourable Sir Shanmukham Chetty): Order, order. The Chair would like to have the position cleared before this amendment is proceeded with. Clause 33 deals with the assets as against the note-issue. Now, if the amendment of Mr. Reddi is adopted, does it fit in all right? It simply says that:

"The assets of the Bank shall consist of gold coin, gold bullion, sterling securities, rupee coin and rupee securities to such aggregate amount as is not less than the total of the liabilities of the Bank as hereinafter defined."

"Assets" against what?

The Honourable Sir George Schuster: Sir, as far as I have been able to understand, it makes complete nonsense of the whole Act. I thought my Honourable friend tried to start on this plan of his by a previous amendment which had been rejected and I understood from him that he was not going to move these amendments. I do not know what my Honourable friend's purpose is, but it would, as I say, make the whole of the provisions of the Bill complete nonsense.

Mr. President (The Honourable Sir Shanmukham Chetty): The object of the Honourable Member is presumably to abolish the distinction between the Issue Department and the Banking Department and have only one Department to deal with both. But if that has been his object, he has not succeeded in his object in the form in which he wants to move it, because, in section 34 also, if, instead of the words "Issue Department" he substitutes the word "Bank", it would mean that "the liabilities of the Bank would be equal to the amount of the currency notes of the Government of India and bank notes for the time being in circulation". But the liability of the Bank is not only for notes, but also for deposits. So the whole thing has absolutely no meaning.

The Honourable Sir George Schuster: May I also point out, Sir, that this House has already passed clause 23 which says:

"The issue of bank notes shall be conducted by the Bank in an Issue Department which shall be separated and kept wholly distinct from the Banking Department, and the assets of the Issue Department shall not be subject to any liability other than the liabilities of the Issue Department as hereinafter defined in section 34."

Mr. T. N. Ramakrishna Reddi: That was my original intention, but since I did not move any amendment to clause 23, I do not propose to move this amendment.

Mr. K. P. Thampan (West Coast and Nilgiris: Non-Muhammadian Rural): Sir, I beg to move:

"That in sub-clause (2) of clause 33 of the Bill, for the word 'two-fifths' the word 'two-thirds' be substituted."

As I understand it, the purpose of the reserve in the currency department is in the first place to ensure the confidence of the public with regard to the notes that are issued, and, in the second place, to make use of this reserve when the balance of trade is against us and the Bank is forced to issue reverse councils. The trade balance of this country has, of late, been reduced to very small dimensions. Time was when we had a very large favourable balance, but, since last year, it has dwindled down to nearly rupees three crores. If the present depression continues, the chances are that next year we may have not even the three crores to our credit, and while the balance of trade is in that position, our commitments have been increasing. Even under normal conditions, the Government of India have to remit to the Secretary of State about £25 million sterling. Over and above that, the invisible remittances come to another £25 million. So it may easily be put down that every year our commitments in sterling will be not less than £50 million. That works out at nearly Rs. 70 crores. Then, over and above that, there are remittances of capital to England.

Very often we hear complaints about the flight of capital, and, but for the adventitious circumstance of the large export of gold, serious consequences would have ensued and the position would not have been what it is today. As regards the function of the external reserve of a country, I would invite the attention of the House to a small paragraph in the Macmillan Committee's Report. At page 122 of their report, the Committee say :

"Its primary duty indeed remains to maintain the value of its notes at par with gold, but it fulfils it, not by its obligation to change them into gold coin, but by freely shipping gold bullion or selling foreign gold balances to maintain the par value of its exchange. The sole use of a gold reserve today is, therefore, to enable a country to meet deficits in its international balance of payments, until the appropriate measures can be taken to bring it again to equilibrium."

Sir, we must, therefore, provide at least for the normal remittances of a year and a fair margin for backing the currency notes, and, I think, my suggestion is not very difficult for the Government to accept. The two-fifths that has been provided for in sub-clause (2) works out to about 72 crores of rupees on the basis that the currency notes issued are about 180 crores of rupees. We have got gold bullion and coins at present in the gold standard and the paper currency reserve departments. They have been valued at the old parity and, if they are valued according to the present market rate, they will fetch a decent amount. Then there is the home treasury balance and, when the Government of India begin to dispose of their silver according to the arrangements that have come to at the International Conference, which we ratified the other day, there will be sufficient funds available. So, it cannot be urged that it would be difficult to find this amount. I, therefore, suggest that the provision under this sub-clause may be two-thirds instead of two-fifths. Sir, I move my amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved :

"That in sub-clause (2) of clause 33 of the Bill, for the word 'two-fifths' the word 'two-thirds' be substituted."

Dr. Ziauddin Ahmad: Sir, this whole question of our reserve has not received the amount of consideration which the importance of the subject deserves. In India, we do not want a reserve simply to meet our paper currency liability, but there are two other important factors which we should also consider when we begin to distribute our reserve under different categories. Attention was drawn to these important cases in the Minority Report when they said :

"In determining the amount of reserve and especially the nature of external reserve, we must consider three important factors, that is, paper notes, the silver rupees in circulation and our annual external obligations which amount to roughly about 70 crores."

These are the three important matters which we ought to consider. I should like to add one more important item. When there is a State Bank or when the State is the currency authority, then the amount of metallic reserve need not be very large, but when it is going to be handed over to a private bank, then it is necessary that the public should have some confidence in our notes. If they do not have the confidence in the notes, then the whole fabric falls down. Therefore, these are three important factors which must be taken into consideration when we begin to distribute

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our reserves under various heads. We have got our reserve which is equivalent to the paper currency notes approximating 180 crores. Now, the question is how this amount should be distributed. How much of it should be in gold, how much in sterling securities, how much in rupee securities and how much of it should be in the shape of silver rupees themselves?

Now, another thing which has not received sufficient attention is this, that the rupees in circulation are not really rupees, but they are also notes printed on silver, because the amount of silver in a rupee is about 6½ annas or seven annas at the most. So, as it is important to have some kind of reserve for the paper currency, equally important it is to have some kind of reserve for the silver rupees as well. It may be argued that no reserve is maintained for silver rupees which are in circulation in other countries. My answer to that would be that the number of silver coins which are in circulation in other countries is very small as compared to the silver coins circulated in this country. The number of rupees which are in circulation is estimated at 400 crores. Even if we reduce their number having regard to the fact that some of them have been lost, some of them buried and, therefore, not available to the public, and some of them have been converted into ornaments, their number is bound to be no less than 200 crores which is really much more than the amount of paper currency which is in circulation. May I ask the Honourable the Finance Member if there is any country in the world in which the small silver coins are greater in value than the currency notes in circulation? Sir, if we had a small number of silver coins, say five or ten crores, we might have ignored the question of having any reserve for them, but since the number of rupees is larger than the paper currency, it is idle not to consider this important fact. Sir, we are in a very peculiar position. As I said, we have got a very large quantity of silver rupees in circulation and this point has not been properly brought out in any of the sub-clauses of the clause we are now considering. I had thought that this matter would be particularly brought out by the Joint Select Committee and that they would provide some kind of reserve for the devaluation in the value of rupee on account of the fall in the price of silver. So, when we begin to consider the reserves due to paper currency, we must also consider that we have not only got the currency notes in this country worth about 180 crores of rupees, but we have also got silver rupees which amount to 200 crores of rupees at the least and the value of which is only a nominal one. Another factor which we must bear in mind is that we have to remit a substantial amount of money to the United Kingdom which is estimated at about 70 crores. Now, where is this money to come from? If, by any chance, our balance of trade is upset and we have not got sufficient balance in our favour to pay this amount, then we can only pay this amount either by means of a reserve which we may build up in England in the shape of sterling reserve or by means of gold and thus diminish the quantity of gold further. These are important matters which must be taken into consideration.

Another point to which I would like incidentally to draw the attention of the House is this. So far, in the paper currency reserve, we had silver also as one form of our reserve. In this connection I would give the figures of the paper currency reserve as published in the Currency Report of 1933. There I find the paper currency reserve amounted to

176 crores on the 31st March, 1933, and as much as 15.52 crores were invested in silver bullion in India. Now, the reserve in the shape of silver bullion has been removed altogether in this clause. All transactions in silver are now being taken up by Government alone and the Bank is not allowed to have anything to do with it. That is a very important change that we have made that all transactions in silver will in future be conducted by the Government, and not by the Reserve Bank. Transactions in gold, in sterling and in other securities may be conducted by this Bank and the transactions in silver in future will not be conducted by means of this Bank. There is no provision anywhere that silver will also form part of the reserves of this Reserve Bank. This is an important change and it really means that silver worth about 15 crores will now be taken away from these reserves and handed over to Government. In what form will it be substituted? That is really the important issue. Are you going to substitute silver for paper and change the silver into some kind of security either in sterling or in rupees? If you remove it altogether from the paper currency reserve, it is fair to ask that silver should be replaced by gold, that metal should be replaced by metal and not by paper. This is really unsound and uneconomic, especially in a country which is really very badly off. This provision has not been made anywhere. The Government have quietly removed 15 crores worth of silver bullion from our reserve and probably it will be replaced, by means of Indian Government Securities or by any other paper, or even perhaps they may be replaced by means of rupees which is still worse. I always maintained on the floor of the House and I emphasised several times that though we may have some Indian securities in order to regulate the prices, really it is a very unhealthy form of our reserve. Can I say that I possess in my pocket a crore of rupees when I only have a promote of a crore of rupees written by me on myself? Nobody will come forward and tell you that he has got a crore of rupees in his pocket, simply because he has got a promote drawn on himself for one crore of rupees. This is really not money, but it is really a kind of financial quibble. Therefore, if you have a reserve in the shape of Indian currency to a very large extent, it is not really a healthy form of reserve. The healthy forms of reserves are firstly gold and that is still recognised by the world as a very important form of reserve. The world has not given up for good the question of gold standard. We do not know whether we may not again come back to the gold standard in the near future. When we begin to build up a reserve, we must keep this thing specially in mind that the world is likely to come back to the gold standard and, if we all have paper securities of this form or that form, that will not help us very much when the world including India later on comes up to the gold standard. We have accused the Government on the floor of the House—not myself, but several other Honourable Members—that the Government have allowed 160 crores of our gold to be taken away from India. The people have come out to sell their gold due to economic depression which the Government could not altogether avert. I frankly admit that the Government could have met it had they desired to do so. But there was no desire on the part of Government to meet this thing and they passively allowed 160 crores to go out of this country. Was it not possible for Government even at this late stage to purchase some of this gold and keep it in their gold reserve? Out of 160 crores, which we sold in the open market in India to America and other places, why did the Government allow the whole to go outside this country, and why did they not keep a portion of it to build up the reserve as some countries built up their reserve to meet exigencies that might possibly arise when

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the world may come back again to the gold standard. We have not done this thing and it is wrong if we do not do it in the future. Therefore I strongly emphasise that when we determine our form of reserve, we should pay special attention to the healthiest form of reserve, i.e., gold and it must be admitted that when the world comes back to the gold standard, the countries which have got a larger stock of gold will always be better off than those countries which are devoid of gold. May I ask the Honourable the Finance Member that, if gold is not considered the best reserve, why the Bank of England is trying to purchase more and more gold and increasing the gold reserve, why is America trying to put more and more gold into its reserve?

Mr. G. Morgan (Bengal European): Not for the reasons mentioned by the Honourable Member.

Dr. Ziauddin Ahmad: Are these countries being compelled by other considerations to sell their gold? We have laid great stress that the Government ought to put some kind of embargo on gold and that gold should not be allowed to leave this country, but the Government did not pay heed to our requests. We offered a second alternative. If the Government do not put any kind of prohibition on the export of gold, at least they should come forward and purchase this amount of gold and thus improve their gold reserves, and this also the Government did not do. I now come to the amount of gold which is now in possession of Government. I see from the Currency Report of 1932-33 that there are two kinds of reserves, one the paper currency reserve and the other the gold standard reserve. The paper currency reserve is meant that whenever you issue any note whatsoever, then you must have some kind of reserve in order to honour these paper notes. But the gold standard reserve is really intended to stabilise our exchange. It is now proposed that these two should be amalgamated. Let us see what is the amount of gold now kept. According to this Currency Report, on the 31st March, 1933, I find that in the gold standard reserve the Government had 2,152,334.

The Honourable Sir George Schuster: May I point out to my Honourable friend that this particular question surely does not arise on this particular amendment which is merely as to the combined proportion of gold and sterling reserves. This amendment does not raise the question as to what proportion of that combined total should be held in gold.

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Dr. Ziauddin Ahmad: I wanted to review the whole situation on this amendment, otherwise I will have to take a lot of time on each of the amendments. I thought it would be better if I had said all I wanted on this amendment so that the time of the House may be saved on other amendments. But if the Honourable Member interrupts me often, then the law of inverse relation applies, and the more I am interrupted, the longer I will take to speak. (Laughter.) Sir, I was discussing the quantity of gold. I find in this Currency Report that we have got in England gold amounting to two million odd sterling and gold in India amounting to Rs. 11,626,000 and converting this amount into rupees at the rate of 1s. 6d. per rupee, the amount of gold bullion comes to 18.4 crores of rupees. So, in our gold reserve, we have got 18.4 crores

and, in the paper currency reserve, I find it is 25.99. So the total amount of gold both in India and England in the two forms of reserve which are now in the possession of Government is really 44.3 crores of rupees. That is the amount which the Government have already got. My second contention is that they have got silver amounting to Rs. 15.52 crores and this silver is no longer going to be a reserve. It will be handed over to the Government and probably sold to America through the British Government or to the Bank of International Settlements or to some other country at a profit or without profit. So, where will the money go? I maintain that this thing ought to be converted into gold when you dispose of the silver. Whenever the Government dispose of their silver, they should replace it by gold and not by paper. And if

our silver is also replaced by gold, what will happen? The position is that we already possess gold worth 44.3 crores to which we may add another sum of 15 crores which may be obtained by disposing of silver. So the whole amount of our metallic reserve is about 60 crores. But this 60 crores has been reduced to 40 crores and nothing has been indicated in the whole of this Bill as to what would happen to the remaining 20 crores. That is a point on which I should like to have a clear explanation from the Finance Member as to where these 20 crores will go, how it will be disposed of, who will get the benefit and how the metallic reserve of 60 crores would not be deposited as reserve under this Bill. I again emphasise, Sir, that gold is the only form of good and substantial reserve, and any attempt to fritter away the total quantity of gold will have a very bad effect on India and a very bad effect on the future position of our Indian Government. We are asked to think about the Bank of International Settlements and to think about the Reserve Banks of European countries and America and Chile and South Africa. But we forget the noble examples of England, France and America which have always kept up a very substantial quantity of gold reserves. This is a point which ought to be taken into consideration. In the first place, I press that we ought to increase our metallic reserve of gold which is now being sold in the open market as distress gold by the poor people, because they cannot pay the landlords' rents, and by the zamindars, because they cannot pay the land revenue; and they want to be saved from going to jail. They are thus disposing of their distress gold, which they had in the shape of ornaments, in the open market. This distress gold ought to have been purchased by Government and they ought to have put some kind of embargo so that it might not go out of this country. But they never attempted to increase the quantity of gold now or even in the future. But the position is much worse, because they are going to diminish our metallic reserve by 20 crores. As I said before, we have already got 44 crores of gold and 15 crores of silver that is, about 60 crores of metallic reserve. Why should this be reduced from 60 crores to 40 crores as contemplated in this Bill? I thought the Finance Member would recommend the increase of that 60 crores by another five or ten crores so that we may be able to purchase the distress gold already in the market. But gold and silver is gone and you will have only paper left, and even about this paper the discretion is left to the Bank to honour it or not; and, on account of so many restrictions, you cannot demand it as a matter of right. I do not know how far it is fair that India which has got long traditions of centuries behind it should be treated in this particular manner. Sir, so far I have said about metallic reserve and I say that the policy which underlies this clause 33 is a bad policy and a ruinous

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policy which no honest Government would ever adopt in these days. Every country is trying to develop its metallic reserve, but we, on the other hand, are trying to diminish it. |

Now, as regards the silver reserve, I frankly admit that we are legislating here that silver should not be treated by means of banks. Probably it will be to the good of the country if Government exercise the full control over transactions on silver for the benefit of the tax-payer. But it should be brought out very clearly that in future all these transactions will be made by Government. But what I do emphasise is that if you take away silver from the reserve, it should be replaced by gold and it should not be replaced by paper. |

So far I have said about metallic reserve and now I come to the second category,—sterling security reserve—which is also a very important thing. These are really very important for us because we have to make remittances to the United Kingdom partly on account of our commitments, partly to the transmission of money by private individuals and firms, and they roughly amount to about 70 crores of rupees. That is an estimate of various things, but we will leave out for the present the invisible remittances, and take into account the remittances only by our Government to the Secretary of State for expenditure incurred on behalf of India in the shape of pensions and other expenses. Even that amounts to 50 crores odd. So these 50 crores have to be paid every year in the shape of goods; and, if our balance of trade is not favourable, how is this amount to be met? It may be said that this amount will have to be met by borrowing in sterling; but are you going to legislate and lay down a policy in which our foreign commitments should always be met by borrowing in sterling? And we know that, if we are forced to borrow money in the London market, the rate would be very high and the burden will ultimately fall on our budget, because we will have to pay interest on these borrowings. We are not, of course, discussing the principle here which we will discuss in great detail when we come to the question of the ratio how the present monetary policy of the Government of India has prejudicially affected our export and our balance of trade, and how the policy is leading to the export of gold in such large quantities. We will discuss this in greater detail when we come to clauses 41 and 42, but I want to emphasise very strongly that we should have a sufficient amount of sterling securities, not in long term securities like ten years which is a big period although my Honourable friend said yesterday that it was a small period, but in short term securities. We are passing through a time of crisis and depression and we are required to pay for our external obligations any sum of money at any time, and if our money in sterling is locked up in long securities, we will have to take them at a very cheap price and all the interest that we have accumulated will practically go in the discount at which we will be able to sell these securities. This is a very important thing which we discussed yesterday, but we must keep in mind that, for the next few years, we will have to pay our external obligations by means of the export of gold and, the moment this export of gold is stopped, there will be no other alternative but to pay money by means of loans, and these loans, when they are compulsorily raised, will be raised at a high rate of interest, and we do not know how much we will have to pay. Therefore, I emphasise the fact that this is also a point which we should bear in mind, that our external securities, specially the sterling securities, should be invested in such a manner that they may

be readily obtainable and by means of which we may be able to pay our external obligations. Now, what should be the amount of these sterling securities is also a point which we will have to discuss and consider carefully, and we cannot lightly pass over it by saying 2/5ths, 1/5th or 3/5ths unless there is some kind of scientific argument behind it. As a matter of fact, when the Finance Member laid his proposals before us, he never said a word about the reasons according to which he distributed these various categories of reserves in these proportions: he gave no reasons: he simply mentioned 40 crores of rupees without mentioning the fact that we already possess 60 crores, in the metallic reserve of silver and gold bullion. That is a point which ought to have been taken very seriously into consideration before we admitted to its reduction: we only considered the gold reserve of 40 crores, but nobody ever considered the silver in the metallic reserve which was withdrawn and which has not been replaced by metallic reserves either in terms of silver or of gold.

Coming back now to sterling, we ought to bear this in mind, that our sterling securities should be sufficient in amount and should be kept in such a manner that, if at any particular time our balance of trade fails to achieve the desired object, if it is not sufficient to pay for the external obligations, then these obligations should be met by reserve in sterling securities which we have got in the United Kingdom. This is also a very important point to consider. Before I give any idea, therefore, of how these things should be distributed, I would like to see the principle laid down.]

I would like to emphasise that our sterling securities should be sufficiently large in order that we may be able to meet our external obligations if at any time our balance of trade is not favourable. Times are very hard for India and I admit that it is the same in every other country, but the difference between this country and other countries is this. that the Governments of those countries are making every effort to meet the depression while our Government are sleeping over the matter and taking absolutely no steps to meet the general condition of depression. I feel very strongly on this point: but when we discuss the question of 1s. 6d., they say that "it is outside the terms of reference of this Bill: so we will consider it at some future date." Perhaps they will consider it when all the rich men have become poor and the poor men have all passed away to the next world: that perhaps will be the time when they will consider this matter. Our Government are such that arguments never appeal to them: you may bring forward any kind of argument; but, in the intoxication of their power and strength, in the shape of votes or anything else, they will never listen to our arguments. They listen to some other kind of arguments to which we cannot have recourse always. At the same time, I say that it is really the duty of the Government to meet the general condition of depression in this country. We appeal to them that some means ought to be found so that our export trade may be favourable, so that

Mr. President (The Honourable Sir Shanmukham Chetty): That subject is clearly irrelevant to the issue before the House.

Dr. Ziauddin Ahmad: I do not want to repeat it—I just want that Members should consider this question also and understand

Mr. President (The Honourable Sir Shanmukham Chetty): But the Honourable Member should be able to understand what is relevant to the

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issue before he attempts to make other Honourable Members understand.

Dr. Ziauddin Ahmad: I said that I discussed the entire principle of reserve, in order to save other speeches on this clause

Mr. President (The Honourable Sir Shanmukham Chetty): The House now stands adjourned till 2 O'clock.

The Assembly then adjourned for Lunch till Two of the Clock.

The Assembly re-assembled after Lunch at Two of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

Dr. Ziauddin Ahmad: Sir, I first of all want to mention certain things which have been referred to me by some responsible person. An old man was once planting a date tree which generally yields fruit after 40 or 50 years. Another man asked him why he was planting the date tree as he would not eat its fruit. The old man replied that he was not planting the tree for himself, but he was doing it for his grandchildren. His grandfathers sowed the seeds of the tree from which he was eating the dates, and, in the same way, the old man said that he was planting the date tree for his grandchildren. In the same way, whatever I am saying here will fall on deaf ears, and I know the fate of all my efforts to convince the opposite side, but whatever I say is really intended for the larger crowd outside the Legislative Assembly, and though this House cannot be persuaded to accept our view point by our arguments, I am sure the outside public will be persuaded to accept our point of view by our arguments, and pass correct verdict.

Then, Sir, I am not anxious to introduce any irrelevant issues. The proposition before us is that we must have a certain percentage of sterling reserve in gold, but no argument has been advanced why and how. Really I am making a preliminary speech to establish why and how, that is really the object of my whole speech. I am not going to repeat whatever I have said already, but I will briefly refer to what I have said merely to refresh the memory of Honourable Members and then I will proceed further. I have established that we have got at present gold reserve to the extent of 44.35 crores. We have got also silver approximately 15.23, and my first proposition is that the metallic reserve should remain metallic reserve and the silver should be changed into gold and not into paper. That was my first proposition. My second proposition was that we should have sterling securities in the United Kingdom of a value which may be sufficient to pay up our liabilities. For instance, we may have a bad time, and we may not be able to pay up our external commitments by means of export favourable balance of trade, and then we should be able to pay out of these reserves, and, I suggest, that must be in the shape of short term loans, so that they may be recovered immediately. Now, I am going to establish how much sterling they have got already. I said that we have got sterling security amounting to 38.53 crores. This

amount can be increased slightly. The Finance Member knows that he has already taken a loan this year amounting to 22 million sterling. Out of this, 16 million has been spent in paying off old debts, and, therefore, six millions are still remaining in England out of the loan which we have raised. Therefore, the point I emphasise is that, whatever sterling securities they possess, whether in the shape of gold standard reserve or whether as a result of borrowing this year, the whole of the sterling securities ought to be transferred to this Bank. In this case, without any extra trouble, we will have 38 million, and I think we can safely put down seven for that, so altogether it will be about 48 crores. This is just equivalent to our annual commitments, so that if by any chance we are not able to pay up the entire amount, we will be able to pay out of our sterling commitments. Therefore, the conclusions I have arrived at so far are—that we already possess 60 million in the shape of metallic reserve, and the whole of it should be handed over to this Reserve Bank and it should be taken as the reserve for paper currency. Then we have got sterling securities in our gold standard reserve and also some money lying which is really out of the loans raised this year, and I think the whole of this amount ought to be given to this Reserve Bank, so that we will have about 48 crores and odd in the shape of sterling securities. So, without going to any extra trouble, if we only take the figures as they exist today, we will have 60 crores *plus* 48 crores, that is to say, 108 crores in sterling and gold reserve. This 108 crores out of 180 makes $\frac{3}{5}$ ths which we already possess. It is the *de facto* figure, but what my friend, Mr. Thampan, demands is that we ought to go a little further, and, on account of the export of gold and the gold which is now in the market, we must purchase some more gold and increase the gold reserve up to extent of two-thirds liability. I think $\frac{3}{5}$ ths we already possess, and, if we slightly improve it, it will really be to our own advantage. Sir, the question was raised, and we might discuss it to-day, as to at what value the price of gold is to be calculated, at gold parity, or at the present value. Forty-four crores of rupees is the value of gold according to the old parity, that is, when the value is about approximately Rs. 21-3-10. This is the value according to the old price, but if we take it according to the present parity, which is Rs. 32, then it will rise to Rs. 60 crores. So, in the present gold reserves there is a kind of hidden reserve amounting to about 20 crores. That is really a hidden reserve, but I say we ought not to take into account that hidden reserve, because we have got a large number of silver rupees, about 50 crores of silver rupees. The value of silver, as was contemplated by the Hilton-Young Commission, was 24*d.* and now the value has fallen to about 11*d.* Therefore, there is a kind of hidden loss in the rupees that we have got in the reserves, and, therefore, this hidden loss and hidden gain equalise each other. Taking all this into consideration, I think it is very fair that we ought to fix very definitely a higher percentage of gold, a higher percentage of sterling securities, and less in other forms of securities which are very unhealthy. On previous occasions I have said on the floor of this House that we want to establish some kind of reserve for our rupees also which are in circulation, and I have said also that rupees are a very unhealthy form of securities for our paper currency reserve. The only way in which provision can be made for this reserve is the one proposed by Mr. Thampan. We ought to increase substantially the amount of our gold and sterling securities in the paper currency reserve. That is an important point and that is why I very strongly support this amendment. I do not want to discuss here reserves in other forms, that is, in the form of rupee securities and in the

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form of silver rupees. That is a thing which will probably be taken up later, but I think that it is really desirable that we should lay down in this particular clause very definitely the proportion of these four forms of securities, that is, gold, sterling securities, rupees and rupee securities. I have not taken into consideration the gold standard securities. This question would probably arise. It was suddenly sprung upon us when we began to talk about the Bank of International Settlements. When we were talking about it, we forgot altogether about our reserves in this particular form, whether they will be calculated according to the gold value of the sterling or not. We forgot about it. It was a harmless amendment on the face of it, but it will be found to be a dangerous one in practice. Of course, I do not want to open a discussion on that particular clause, because it has been decided and that is in our favour. But what we ought to take into consideration is this. If we have some kind of securities of the Bank of International Settlements—if we purchase shares and so on, whether they would be considered as securities or not. I think they ought not to be considered as securities, they may be considered as assets of the Bank against its own liabilities, and not assets of the Issue Department. That must be clearly brought out not only in the course of discussion, but somewhere in the Act itself. I have always considered that this reserve of the Bank of International Settlements is a very dangerous form . . .

The Honourable Sir George Schuster: My Honourable friend may save himself the trouble of elaborating this point further by acquainting himself with the provisions of clause 33. It is quite impossible that shares of the Bank of International Settlements could form any part of the currency reserve of the Bank.

Dr. Ziauddin Ahmad: I am very glad that the Finance Member has settled this point. I had some apprehension when this dangerous clause was moved in innocent words yesterday, and, though it appeared to be innocent, it will be found to be exceedingly dangerous, or prove to be dangerous later on . . .

Mr. President (The Honourable Sir Shanmukham Chetty): Order, order. It has absolutely nothing to do with the present amendment.

Dr. Ziauddin Ahmad: I shall just say one word and then leave that topic altogether. This Bank is called as Reparation Bank, and only recently it has changed its name into the Bank of International Settlements. However, I will discuss that question in the third reading of the Bill when we will review the Bill as a whole. This was only an introduction for supporting the motion so ably moved by Mr. Thampan. If we want to build up our reserves for the benefit of the people of India, and also in consideration of our commitments to the United Kingdom and also of the fact that the world may go back again at any moment to the gold standard about which we know nothing, I think it is very desirable that we should build up a substantial amount of our reserves in the shape of gold and in the shape of sterling securities. We already possess such securities to the extent of three-fifths. They should be increased to two thirds. With these words, I strongly support the amendment of Mr. Thampan.

The Honourable Sir George Schuster: With the proposition that the Bank should start off with as large an amount as possible of external reserves, I think no one will quarrel, and it is, of course, the intention of the Government to do all that they can to build up external reserves and to hand over all that they possibly can spare from what they possess to constitute external currency reserves for the Bank. But what we are discussing in this clause is what should be the Statutory minimum percentage of external assets. Because we lay down that 40 per cent. shall be the Statutory minimum, that does not mean that we shall be content with starting the Bank with only 40 per cent. of external reserves. In fact, we have already provided that the Bank should start off with at least 50 per cent of external reserves, although the Statutory minimum is only 40 per cent. I do not think that my Honourable friend, who moved the amendment, and certainly not the learned Doctor, who has just spoken, has made clear to the House what the effect of accepting this provision would be. Supposing the note issue is about 180 crores, which is about the figure which we have at present, according to that, the 40 per cent. to be held in gold and sterling as a Statutory minimum would be 72 crores—72 crores in external assets, 108 crores in silver rupees and rupee securities, which would include, of course, trade and agricultural bills. If the Statutory minimum of external assets is increased to two-thirds, then gold and sterling would have to be, not 72 crores out of 180 crores, but 120 crores out of 180 crores, leaving only 60 crores to be held in the form of rupees, rupee securities and trade bills. As the notes are to be convertible to an unlimited extent into rupees, the Bank will have to hold a stock of about 50 crores of silver rupees. That would leave only 10 crores over for rupee securities and trade bills.

Mr. K. P. Thampan: Will not the public always prefer the currency notes to heavy silver rupees and the contingency anticipated by the Home Member ever come?

The Honourable Sir George Schuster: I had better complete my explanation. I think it is only necessary to hear those figures to appreciate what an absurd position would be created, and I would remind both my Honourable friends who have spoken of the result of this sort of provision. Supposing it is necessary, in times of business activity, to expand the currency for which we have made provision in this Bill and which kind of expansion would normally be undertaken against trade bills, if we have a provision that two-thirds of the note issue must be covered by external assets, it would be extremely difficult for the Bank to give the currency the necessary elasticity. For every nine crores that it had to expand, it would, unless it had surplus external reserves over its Statutory minimum for every nine crores, only take in three crores of trade bills and would have to find somehow or other six crores of external assets. Now, if the original provision were as high as two-thirds, it is most unlikely that the Bank would ever be in the position of having a margin in excess of that, and, therefore, that restrictive result would practically always be the case. Apart from that, of course if we were to lay down now that the Bank could only be started off with a two-thirds reserve in external assets, we should delay the starting of the Bank quite indefinitely. We hope that we are in sight of the position where we can start off the Bank with a sufficient margin of external assets, but if we have to put that up to two-thirds or 66 per cent. then, as I say, I do not know when the time would

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come when we should be able to start it. Sir, I think the whole of this amendment is, as I explained in my opening remarks, moved under a misconception. We are talking here about minimum reserves, and minimum reserves are reserves which ought in normal times not to be trenched upon. My Honourable friends have talked about the possible needs of supplementing India's ordinary balance of external currency out of her balance of trade, of supplementing that by drafts on the currency reserves in bad times; but that means supplementing them from excess of currency reserves held over and above the Statutory minimum or at least that is what should normally be the case. Once you trench upon the Statutory minimum, you create feelings in the country that the situation is unsound. Therefore, there are very great dangers in making the Statutory minimum too high. On all these grounds I must strongly oppose this amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (2) of clause 33 of the Bill, for the word 'two-fifths' the word 'two-thirds' be substituted."

The motion was negatived.

Mr. B. Sitarameraju (Ganjam *cum* Vizagapatam Non-Muhammadian Rural): Sir, I rise to move:

"That in sub-clause (3) of clause 33 of the Bill, the words 'Government of India', in the second line, be omitted."

The reason for moving this amendment is that I do not want any such restriction to be placed in order to give scope for other securities, for instance, those of the Provincial Governments and land mortgage banks and securities like that. In order to prevent this restrictive sense in which this original clause is framed, I suggest the omission of these words in order to give latitude. With these words, I move.

Mr. President (The Honourable Sir Shanmukham Chetty) Amendment moved:

"That in sub-clause (3) of clause 33 of the Bill, the words 'Government of India', in the second line, be omitted."

The Honourable Sir George Schuster: I am afraid I could not hear all that my Honourable friend said. I really am unable to understand the purpose of this amendment. I see no reason to object to the clause as it stands at present.

Mr. B. Sitarameraju: The purpose of my amendment is this. I want the Provincial Government securities also to come in and, under the other amendments that I am bringing up, the land mortgage securities also to come in. I want them to be treated in the same way as the Government of India securities.

The Honourable Sir George Schuster: I still oppose the amendment with a little more certainty than I did before I knew on what ground my Honourable friend was supporting it. We shall certainly consider the

securities of Provincial Governments to be unsuitable forms of investment to be held in the currency reserves. The Bank can hold them in its banking department. but, as part of the currency reserves, the rupee securities should most certainly be restricted to Government of India securities.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (3) of clause 33 of the Bill, the words 'Government of India', in the second line, be omitted."

The motion was negatived.

Mr. V. K. Aravamudha Ayangar (Government of India: Nominated Official): Sir, I move:

"That in sub-clause (3) of clause 33 of the Bill, for the words and figures 'or under Section 18' the words and figures 'or under sub-section (1) of section 18' be substituted."

Sub-clause (3) of clause 33 provides for the inclusion in internal assets bills of exchange and promissory notes as are eligible for purchase by the Bank under sub-clause (a) or sub-clause (b) of sub-clause (2) of clause 17 or under clause 18. As these clauses originally stood, sub-clause (a) and sub-clause (b) of sub-clause (2) referred to self-liquidating paper having the signature of a scheduled bank or a provincial co-operative bank and clause 18 only referred to the same kind of eligible paper, but without the signature of a scheduled bank or a co-operative bank. Clause 18 was subsequently amended by the Joint Committee so as to include within the scope of that clause loans and advances on various forms of securities, including, for instance, silver. This widening of the scope of the clause was unintentional and I am only restoring by this amendment the original purpose of clause 33. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (3) of clause 33 of the Bill, for the words and figures 'or under section, 18' the words and figures 'or under sub-section (1) of section 18' be substituted."

The motion was adopted.

Mr. President (The Honourable Sir Shanmukham Chetty): We now come to the amendments to sub-clause (4) of clause 33 of the Bill. Sub-clause (4) of clause 33 provides for the valuation of gold bullion in the reserve and the amendments seek to vary the figure mentioned in the clause. Though in a sense the valuation of the gold in the reserves can be considered independent of the value that may be fixed for the rupee, yet the Chair thinks, considering the amendments that stand on the Order Paper, Honourable Members want to co-relate this value to the value that might be fixed for the rupee itself. Therefore, what the Chair proposes to do is that it will postpone for the present the consideration of sub-clause (4) of clause 33 until the House disposes of clauses 40 and 41. Will that suit the convenience of the House?

Honourable Members: Yes, Sir.

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): Sir, if you rule that this amendment is a consequential amendment to amendments that may be passed to clauses 40 and 41, I am prepared not to move it just now, but at a later stage.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair quite understands the Honourable Member's position. The Chair advisedly did not say that it was consequential, because it might be held that, irrespective of the ratio, the Honourable Member might fix a certain arbitrary rate for valuing the gold in the reserves. That might be opposed by some Honourable Members. That is why the Chair proposes to hold this in abeyance and the Chair will come back to it when clause 33 comes up again. The amendment is held in abeyance.

Sir Cowasji Jehangir: You hold this, Sir, as consequential?

Mr. President (The Honourable Sir Shanmukham Chetty): No.

An Honourable Member: Co-related.

The Honourable Sir George Schuster: Sir, if it is of any use to my Honourable friend, I am quite prepared to make it clear that, so far as we are concerned, we will be prepared to regard my Honourable friend's amendment as deliberately consequential. (Laughter.)

Mr. K. P. Thampan: Sir, I rise to move:

"That in sub-clause (6) (b) of clause 33 of the Bill, ...

The Honourable Sir George Schuster: Sir, there is one amendment on clause 33 (4) which is quite distinct from the phrase to which you, Sir, were referring,—amendment No. 235 by Dr. Ziauddin Ahmad. That raises quite a different point. Perhaps it would be convenient to take that now?

Mr. President (The Honourable Sir Shanmukham Chetty): Why does the Honourable Member think that that raises a different point? The Chair thinks it would, on the whole, be convenient to postpone the consideration of sub-clause (4) altogether.

The Honourable Sir George Schuster: My point was that my Honourable friend's amendment refers to "securities to be valued at the market rate for the time being obtaining"—it does not refer to gold at all.

Dr. Ziauddin Ahmad: May I say that I should like to wait till the other amendment has been discussed. I may not move it at all.

Mr. President (The Honourable Sir Shanmukham Chetty): That is rather an attractive prospect. (Laughter.)

Mr. K. P. Thampan: Sir, I beg to move:

"That in sub-clause (6) (b) of clause 33 of the Bill, after the word 'signatures' the words 'arising out of *bona fide* trade with India' be inserted."

Sir, it is contemplated for the first time, if I am right, that the reserves of the Currency Department might be held in bills payable outside India. The primary object must be to help the internal trade of this country, and if it is decided to extend to foreign trade also, it should be restricted to *bona fide* trade with India. To me it appears that it might otherwise be made use of by speculators. It is for that purpose that I move this amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (6) (b) of clause 33 of the Bill, after the word 'signatures' the words 'arising out of *bona fide* trade with India' be inserted."

The Honourable Sir George Schuster: Sir, I am afraid I must take the view that my Honourable friend's amendment is misconceived. We are considering here the securities in which the Bank can safely be allowed to invest. We are not considering doing anything to encourage trade with India, and it would be very restrictive to the Bank if it wants to buy bills in London only to be able to buy bills which were drawn for the purpose of, or arising out of, *bona fide* trade with India. It would put the Bank into a very undesirable position and it would be very difficult for the Bank to ascertain in every case what the purpose was for which a particular bill had been drawn. I think my Honourable friend proposes to look upon the matter rather differently and had in mind the question of what would be done with regard to *internal* bills. For the purpose of these sterling bills, we only want to give the Bank a convenient form of investment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (6) (b) of clause 33 of the Bill, after the word 'signatures' the words 'arising out of *bona fide* trade with India' be inserted."

The motion was negatived.

Mr. President (The Honourable Sir Shanmukham Chetty): Clause 33 is held in abeyance. The only sub-clause open for amendment will be sub-clause (4) of clause 33.

The question is:

"That clause 34 stand part of the Bill."

Now the amendments that stand in the name of Mr. Reddi are either barred or not in order.

The question is:

"That clause 34 stand part of the Bill."

The motion was adopted.

Clause 34 was added to the Bill.

Clause 35 was added to the Bill.

Clause 36 was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 37 stand part of the Bill."

Mr. V. K. Aravamudha Ayangar: Sir, I rise to move:

"That the proviso to sub-clause (1) of clause 37 of the Bill, be omitted."

The reasons for the deletion of this proviso have been stated in the note appended by the Government members on the Joint Select Committee. Sir, stated in simple terms, the object of gold in the reserve under the standard that we are contemplating is two fold. In the first place, it operates as a psychological factor designed to maintain the confidence of the public. In the second place, it is to act as a buffer, for the needs of the Reserve Bank on the one hand and the security market on the other in order to prevent any undue strain owing to the sale of securities by the Reserve Bank. The proviso inserted by the Joint Committee, while on the one hand it exaggerates the importance of the first factor, makes it impossible for the Bank to fulfil the second of the objects with which this gold is held in the Reserve Bank. Sir, I move that that proviso be omitted.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That the proviso to sub-clause (1) of clause 37 of the Bill, be omitted."

Dr. Ziauddin Ahmad: Sir, I do not want to deliver a speech on this occasion (*An Honourable Member*: "Thank you"), but here is a recommendation of the majority of the Joint Committee. The Honourable gentleman, sitting behind the Honourable the Finance Member, delivered a speech against the insertion of this recommendation and that speech was not audible. We did not hear a word of what he said. Sir, I think some good case ought to have been made out by the Government as to why this recommendation of the majority of the Joint Committee should be set aside. I like to know what are the implications and we are committing to what?

Mr. Gaya Prasad Singh (Muzaffarpur *cum* Champaran: Non-Muhammadian Rural): Sir, I as a member of the Joint Select Committee, formally take objection to this amendment moved by my Honourable friend. The proviso was added deliberately by the majority of the members of the Joint Committee signing the report after full discussion.

Mr. President (The Honourable Sir Shanmukham Chetty): And the Government members also deliberately oppose it.

Mr. Gaya Prasad Singh: And they will also deliberately carry their position with the help of the majority of the votes they command.

Sir Cowasji Jehangir: Sir, I oppose this amendment. I do not think Honourable Members have realised the importance of the amendment moved by my Honourable friend opposite, and I do think that Honourable Members who were not members of the Select Committee have some ground for complaint—I say this with due respect to my Honourable friend—for the shortness of his speech and, if I may say so, for the rapidity with

which he spoke. This is an important matter and I do think the Honourable Member might have made the purpose of his amendment a little clearer. Well, I will try and make good that deficiency to the best of my ability. (Hear, hear.) Sir, the House is well aware of the fact that we have got in this Bill a provision that gold of Rs. 40 crores shall be the minimum in the reserves. I am not going into the history of how we came to that figure of 40 crores. It has some history behind it, and, as time is valuable, it is not essential for me to explain how we came to that figure of 40 crores. Therefore, you must take it for granted that we have agreed that 40 crores shall be the figure and not 44 crores and a fraction as was desired by some. Now, clause 37 allows the Reserve Bank, with the sanction of Government, to reduce the minimum under certain contingencies. That is to say, under certain very urgent contingencies the Bank will be allowed to have a reserve of less than 40 crores of gold. We insisted that, as it was a compromise and there was no provision made in the Bill for the inclusion of a certain minimum percentage, it was only fair that if Government ever allowed clause 37 to be put into operation, they should first make use of sterling securities before they reduced the 40 crores minimum of gold. Now, by the omission of this proviso, Government, under urgent circumstances, may reduce the minimum of 40 crores of gold without touching the sterling securities. That is the position we object to. We contend that before you touch this 40 crores of gold, you must first make use of your sterling securities. It may be due to our sentiment and it may not be following the advice of experts and it may not be following the latest experience of other Central Banks and of the reserves of Governments in other parts of the world, but there is a strong sentiment in this country that this Government should hold a certain minimum amount of gold. You have today at the old valuation 44 crores and a fraction worth of gold and my Honourable friend opposite will admit that 40 crores was fixed after a compromise. He started with 30 crores originally about a year ago and then he gradually came to 35 crores. Finally, he was persuaded—I must say perhaps against his better judgment, I will give him credit for that—to allow 40 crores to be inserted in the Bill by the Select Committee. On our side we gave up the inclusion of a minimum percentage in the Bill.

The Honourable Sir George Schuster: I am sure, my Honourable friend does not suggest that I did not make our position quite clear in the Select Committee.

Sir Cowasji Jehangir: I am giving credit to my Honourable friend that even perhaps against his better judgment he came to the figure of 40 crores.

The Honourable Sir George Schuster: We always made it clear in the Select Committee that we should have to take this line,—that we should have to put in a dissenting minute on clause 37.

Sir Cowasji Jehangir: My Honourable friend certainly objected to the inclusion of this proviso, but my Honourable friend will remember that when certain gentlemen came before us to give evidence and when they thought that 40 crores was not sufficient, I pointed out to them that it was the intention of the Committee to have such a proviso. It was on that understanding that some of them were inclined not to go further and press the point that we should have 44 crores and a fraction.

The Honourable Sir George Schuster: I only wished to correct any possible apprehension that there was any understanding given by the Government. I am sure, my Honourable friend is not suggesting that.

Sir Cowasji Jehangir: I am not suggesting that for a moment. But the non-official side very much urged this and I personally pointed out to a witness who was objecting to 40 crores and wanted 44 crores and a fraction, that we would include such a proviso in clause 37 and, therefore, it is my duty to point out to this House how important it is to retain this proviso and how it is that this proviso is an important factor of the whole scheme, the whole scheme being to have 40 crores without a percentage and to have this proviso. Of course, it is very difficult to go into all these details here, and I know time is very precious, but I would point out to this Honourable House that there are many in this country who believe that we have gone as far as we possibly should or could in this compromise at which we have arrived. I would earnestly appeal to all sections of the House, that, before they vote, they should weigh up the pros and cons. I do not know whether I have made the position perfectly clear or not, because it is not an easy subject to explain especially to those Honourable Members who may not be acquainted with all these facts. It may be possible that my Honourable friend, the Finance Member, will, when his turn comes to speak, point out to you the inconveniences from which the Government and the Reserve Bank will suffer if this proviso were included. I do not know what he is going to say, but I may point out to him that there will be Government sterling securities on the Banking side as well, and he can increase the amount of those sterling securities. At any rate, we attach a great deal of importance to this proviso and we consider it as much a safety valve as the Government consider the whole clause 37 a safety valve. I think I might explain in a few words what is the point of view of the experts who believe that no minimum of gold reserve is necessary. Everybody realises that under the present conditions every country is trying to increase its gold reserves. There is no doubt about that. But they contend that there should be no Statutory minimum put down in the Bill. For, if you have a Statutory minimum, it means that you tie up that amount of your assets, and as one expert said, that amount of your assets might as well be at the bottom of the well. That is to say, although your assets may be considerable, you tie up a certain amount and make it unavailable to Government and to the Reserve Bank at critical times and, therefore, you reduce your credit in the world by that amount. I do not know whether I have made myself perfectly clear. That is their view. Now, I will tell you, Mr. President, what is our point of view and, I may say, the Indian point of view. It is that the ratio question plays an important part in this discussion and we do not desire the Government to make use of our gold reserves in order to maintain a certain ratio. (Hear, hear.) Therefore, we are anxious to tie up our gold reserves by Statute, notwithstanding the fact that it may, of course, decrease our credit in the money markets of the world. Besides that, there is a sentimental point of view and, speaking for myself rather as a materialistic sort of person, I am not attaching very great value to this sentimental point of view, but we cannot neglect it in this Honourable House, but, on the merits of the question, placed as we are in this country and placed as we shall be in the future under the new Constitution, I have come to the conclusion that the only way of preventing Government from maintaining a ratio policy which, we believe, is not in the interests of this country, is to tie up our gold reserves by Statute. That being the position,

naturally I protest against the deletion of a clause which will, under certain contingencies, allow the Government to go below that 40 crores minimum. It may be that those contingencies may arise due to the policy of Government in connection with exchange and currency. They may create a situation which would make it necessary for clause 37 to come into operation. Having created that situation themselves, without this proviso they would be enabled to go below 40 crores minimum and retain their sterling securities. The proviso says that we shall certainly maintain the credit of the country under any circumstances till the very last farthing that we have, but our contention is that you shall first use the sterling securities before you touch your gold. I think, Sir, I have tried to explain it as clearly as possible and I do hope that my Honourable friends will support the Select Committee in including this proviso notwithstanding whatever my Honourable friend, the Finance Member, with his persuasive language, may be able to tell you as to the inconvenience that the Bank may suffer or that the Government may suffer under certain circumstances.

Mr. N. N. Anklesaria (Bombay Northern Division: Non-Muhammadan Rural): Do I understand that the Government are now going back upon their definite promises?

Sir Cowasji Jehangir: I have said, no, in the negative. I do not want to waste the time of the House. I have made it perfectly clear on several occasions. I have replied to the Honourable Member that it may be that even against his better judgement he came to the compromise of 40 crores. I have told the Honourable Member that on our part we gave up the inclusion of a percentage in the Bill. Surely my Honourable friend, who was a Member of the London Committee, ought to be aware of a certain amount of discussion. He ought to know better. I have told this House as much as I could and I know it will be only repeating what I already said if I want to answer the question put by my Honourable friend. But I do desire that my Honourable friend should be satisfied that whatever I have said are the facts.

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member has categorically answered the question. In fact, that question was put by the Honourable the Finance Member and he has categorically answered it in the negative. There is no reason why the Honourable Member should make another speech by way of answering the question put by Mr. Anklesaria.

Sir Cowasji Jehangir: If a few words more from me will capture the vote of my Honourable friend, I think it would be worth our while if I should spend two minutes more to explain the point to him and, for that purpose, the time would be well spent. I hope I have explained the position properly to my Honourable friend and I trust I have captured his vote.

Mr. K. P. Thampan: Sir, I strongly oppose the motion. It will be noticed that I have given notice of an amendment, *viz.*, No. 225, to increase the gold coin and bullion reserve, but I did not care to move it, because I thought I could discuss the principle underlying that amendment on the present motion. Another reason why I did not move it was, I knew that, in spite of our opposition, the Government amendment was

[Mr. K. P. Thampan.]

certain to be accepted by the House. So I propose to discuss the principle underlying this question of gold reserve now. I am afraid that this is one more proof, if proof were needed, that the Government are persisting in their suicidal policy which was responsible for the enormous and fabulous export of gold from this country during the last 2½ years. Sir, the policy of England and other countries that went off the gold standard from the time that they did so had been to accumulate gold. I would invite the attention of the House to the present position of affairs in the United States of America, in France and in England. In the United States of America, Federal Reserve Bank's statement for the week ending the 1st September, 1933, gold held exclusively against Federal Reserve Notes is shown as 28,15 million dollars against Federal Reserve Notes in actual circulation of 29,74 million dollars, that is 94 per cent against 40 per cent required by the Federal Reserve Bank Act. The Bank of France Statement for the week ending the 25th August, 1933, shows gold of the value of 82,226 million francs against Notes in circulation of 81,142 million francs, that is over 100 per cent. The Bank of England return for the week ending the 30th August, 1933, shows gold coin and bullion at £190,28 million against Notes issue of £450 millions, that is, 42 per cent. All these countries are increasing their gold reserves. As I said at the first reading of the Bill, what is good for these countries must also be good for this country. If the intention of the Government is to create confidence in the minds of other countries about the solvency of this country, let alone the confidence of our own countrymen, this amendment ought not to be accepted and I hope fervently that Members of this House are anxious to maintain the financial prestige of this country and will not hesitate to throw out this motion.

Raja Bahadur G. Krishnamachariar (Tanjore *cum* Trichinopoly: Non-

3 P. M.

Muhammadan Rural): Sir I congratulate my Honourable friend, Sir Cowasji Jehangir, on the very able and lucid manner in which he explained the object of this amendment and the result of it which would lead to a lacuna which unfortunately exists in the speech of my Honourable friend, Mr. Ayangar, which we were not able to follow on account of the rapidity with which he made it and sat down. Sir, my first impression or feeling is one of regret that, in the few amendments that I moved in connection with what we considered to be national interests, we were deprived of this stirring eloquence of my Honourable friend, Sir Cowasji Jehangir, and if we had it, we shall never have been defeated. But, that is neither here nor there. Another point that strikes me is how the ordinary condition attached to the proceedings of the Select Committee handicaps men who like myself have not been members of the Select Committee. If these of us who have not been there had known all that had happened in the Select Committee, we would be in a better position to appreciate, even better than after hearing the lucid arguments of my friend, Sir Cowasji Jehangir. All these are unfortunately sealed books to us and, consequently, we have got to rely upon what is doled out to us by the courtesy of Members who at one time say that the proceedings are confidential and, therefore, we outcastes should not know anything about them and, at other times, of their own free will, give out what happened there. However, Sir, in this case I admit that it is not graceful on my part to object, because were it not for the fact that those proceedings have been made known to us, we could never have been able to understand the

inner working of this thing. The reason why I complain that the Honourable the Mover's speech was not quite clear upon this point is, what is the idea in leaving sterling securities alone and laying your hands upon the gold? I should like to know exactly what that is. Even now, if the Honourable the Finance Member would kindly come out with an explanation, that would probably clear the air a great deal.

Sir Cowasji Jehangir: Sir, may I interrupt my Honourable friend? I do think that it is fair that the Finance Member should speak twice and give us this explanation before my Honourable friend, the Raja Bahadur, continues his speech. There is a lacuna in the whole argument and we ought to know something of the Finance Member's mind before my Honourable friend is allowed to go further with his speech. If you move an amendment in five or ten words and do not tell us your point of view, how do you expect Honourable Members to reply? Of course, I have some idea, but I do not want to mention it. It is not fair to the other Members who do not know it. I hope, Sir, you will give us this indulgence and you will give all Parties this indulgence in allowing the Finance Member to say only a few words to enable my friend, the Raja Bahadur, to understand the gravity of the position and to reply to the Finance Member if there is any reply to be given.

The Honourable Sir George Schuster: Sir, I shall be very glad to oblige my Honourable friend if that is for the convenience of the House, and I do not think this is a matter for debating skill or anything of the kind. I daresay, if I say now what I have got to say, it may not require a reply. What I was going to say on this matter is that, in the first place, I very much regret that we should be at issue with Honourable Members opposite on this particular matter. I should also like to take the occasion to acknowledge the fact that I think that the members of the Select Committee, with a good deal of strong feeling on this subject, did make a great effort to find a ground on which we could meet. There were certainly people who pressed the fact that some provision should be inserted to the effect that gold should never be touched. They did not push the matter to that point, but they recommended that at least the 40 crores of gold should be left to the last. My Honourable friend, the Raja Bahadur, who just spoke, put this point to me. He said, he could not understand why we should want to leave the sterling securities to the last and turn to the gold. Well, Sir, we have never suggested taking up a position of that kind, and I am glad that my Honourable friend put the matter in that extreme way, because it makes it easier for me to make the position clear. I think our attitude on this whole matter has been made fairly clear in our minute of dissent; and if my Honourable friend, who moved this amendment, did not speak at great length, I think he probably took it for granted that our minute of dissent would have been read and that the House would appreciate what our attitude was. I will take a little time of the House in just reading one or two sentences from it. We refer to the recommendation made in the main report and then we say:

"While we feel that such ideas have force, and while we recognise the strength of Indian sentiment in this matter, we consider that, so far as statutory provisions are concerned, these should not be so framed as to hamper the discretion of the Bank to utilise its currency reserves in whatever manner may be most effective for maintaining the stability of the currency. In exercising this discretion it would of course be

[Sir George Schuster.]

right for the Bank to take account of Indian sentiment, for any disregard of that might react on public confidence the maintenance of which is a vital factor in the security of the position—a factor of perhaps even greater importance than the actual currency reserves. But it is quite a different matter to convert the recognition of these points into a statutory limitation on the Bank's powers. The mere possession of powers even if they may always be kept in reserve is a strengthening factor, and the mere denial of such powers may be a weakening factor."

Now, Sir, I think that statement of the position does show that we have recognised the other side in this case and this is one of the many cases in the course of these discussions in which we have not really been at issue with Honourable Members opposite as to what should be the practical course to be followed. We have been at issue on the point as to whether a particular restrictive provision should be embodied in the Statute. My Honourable friends, who have sat on the London Committee and on the Joint Select Committee here, know only too well my own personal views on this subject. I went so far in the London Committee as to say that I could not conceive of myself as Finance Member going to the stage of parting with any of our present gold stocks, because I know that that would be taken as a danger signal by the public. It would attract an enormous amount of attention and would do just that thing which we ought to avoid. At a time of crisis, it would disturb public confidence. I repeated that view in the Select Committee and I still hold that view that it would be a most unwise thing for those who are responsible for the currency position in present conditions to trench upon our gold reserves. But even though I hold those views, I must maintain the attitude that to put a provision of this kind into the Statute is a mistake. In all the circumstances that I can foresee, I hold the view that I have just stated. But one cannot foresee all circumstances. Circumstances might arise,—some of the Honourable Members have very vivid imaginations,—but circumstances might arise which even they have not contemplated, and it might be desirable for the Bank—in fact it might really be necessary in the public interest—to do something with its gold reserves

Sir Cowasji Jehangir: Before its sterling reserves?

The Honourable Sir George Schuster: Possibly even before its sterling reserves.

Sir Cowasji Jehangir: That is the only provision here: that you should be allowed to use your sterling reserves before your gold reserves.

The Honourable Sir George Schuster: I answered my Honourable friend's interjection by saying "possibly before exhausting all the sterling reserves". I cannot visualise the circumstances—I frankly admit; but still one cannot tell what circumstances may arise and there is no doubt that in our present position, having all our external obligations as it so happens is sterling, being on a sterling basis, if you look at it from the strictly impartial point of view, what matters to us is our sterling reserves. Sterling reserves are non-speculative reserves for our currency: gold reserves are essentially a speculation: their value in terms of sterling may go up or may go down. I think in all the circumstances it is not right to put upon the Bank an obligation of this kind. It would have been

very gratifying to me and it would have helped us to get on with this discussion and the passage of this Bill, if I had been able to accept the views of the majority of the Select Committee on this matter; but it is a definite question of principle, and we have felt that it was wrong to insert a proviso of this kind and, therefore, we have had to express our views and stand by them. I hope that it will not be made a matter of bitter controversy; it is a question of what one considers to be right, and we do consider that the insertion of a proviso of the kind that the Select Committee has inserted, is, apart from questions of sentiment, not a sound or right provision. That is our position.

Mr. F. E. James (Madras: European): May I ask the Honourable Member one question? Could he indicate in some way or other the kind of circumstances that he would envisage which would make this restrictive proviso a danger? He said it is difficult, but it would help us who are trying to make up our minds on the matter if he could envisage any particular kind of circumstances which would have that effect.

The Honourable Sir George Schuster: My Honourable friend has asked me a question which I have already said I cannot answer. In fact, I should not like to allow my imagination to play on these circumstances, because, possibly one's speech might be reported, and it might be said that the Finance Member is contemplating all sorts of horrible contingencies which at present I do not contemplate, and which I cannot imagine.

Raja Bahadur G. Krishnamachariar: Sir, I am extremely obliged—and I have no doubt will the House be—for the explanation given by the Honourable the Finance Member; but I regret to say it does not take us any further. The position is this: you have got sterling securities and you have got gold. You do not know when you will be compelled to draw upon this gold reserve instead of touching the sterling reserve: the thing might or might not happen: and in order to provide for some contingency of which we have absolutely no idea at all, you are going to lay your hands upon a reserve which appeals, it may be, to the sentiments of the people of this country: even if you put it on that ground, sentiment plays a great part in the disposition of things in this world. It is claimed that it might be that we will not have to exercise this power; but the very existence of the power would be a strength. But, I say, the very existence of the power would be a temptation to use it in cases where it is not absolutely necessary; and, once this Bill goes out of our hands as an Act, who has got control? The Legislature cannot interfere. I suppose the Government can: well, the Government will be told that that circumstance exists and it is to nobody's interest to find out what is the true state of affairs. Why should not the sterling securities be touched and exhausted before gold is laid hands upon? That is the proviso:

"Provided that the gold coin and gold bullion held as such assets shall not be reduced below the amount specified in the proviso to sub-section (2) of section 33 so long as any sterling securities remain held as such assets."

So, the position is, what the Select Committee did—and I respectfully submit, perfectly correctly did—was to say "use sterling securities as much as you like; but before you touch this 40 crores, see that all your sterling securities are exhausted." And the only argument that we have been

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told is that it is better to have that power, for you do not know what might happen. When such an emergency does arise, I have no doubt that the present Government of India Act as well as the future Government of India Act will provide a great deal of power in order to meet that emergency, for emergencies have no general rule to be applied to: they must be met as they arise. In answer to my friend's question, the Honourable Member quite rightly, if I might say so respectfully, said that he cannot envisage any of those things at present; and, therefore, I submit to provide for a contingent future which may, or may not happen, a power which may be well exercised, but which at any rate creates a temptation to exercise it badly, is a power which, under no principle of legislation, you can entrust a body with. That is my objection to the proviso.

Mr. Muhammad Yamin Khan (Agra Division: Muhammadan Rural): I am not one of those, Sir, who will from the very start put in a kind of suspicion on the future Directors, and I would have liked to leave a great deal of power to the future Directors to judge whether a thing is right or wrong and to act in the manner they think best for the welfare of the Bank itself. But some kind of instructions has always to be given before power is given to the Directors. I realise that their hands will be tied down by making this proviso, but we have to see whether it is proper to place this restriction on them or not. We know that the price of gold has been fluctuating within the last two or three years. The reserve we have got is worth 45 crores now, but if it had been taken into consideration several years before, it would not have been of that value, because the value of gold was not so much then as it is today: and there is every likelihood of the value of gold being depreciated in future. That factor has also to be taken into consideration. I have made my position clear. It was decided originally for 35 crores and we stood by that figure. But when I found that there was a change and certain other members were for 40 crores and a certain percentage, I still held that I must stand by my signature to which I had agreed, namely, 35 crores, provided the Government did not change their view. But as I find that they have yielded on this point, my signature for 35 crores is also gone and I had nothing to stand by, because, whatever we had agreed to as a compromise I could stand by. If the Government remained staunch on this point, I would have. But once they have yielded from 35 to 40 crores

Sir Cowasji Jehangir: Do you not give the Honourable Member credit for it?

Mr. Muhammad Yamin Khan: That is what I am going to say

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member's complaint is that he was let down.

Mr. Muhammad Yamin Khan: If the Honourable Member, Sir Cowasji Jehangir, had the patience to listen to me, he would have found that I was going to say what he was saying: when I found that the Honourable the Finance Member yielded from 35 to 40 crores, I at once said that I was not in that case going to stand by 35 crores either: and

I made my position quite clear in the Committee also. But I think it was very reasonable on the part of the Honourable the Finance Member and I must give him credit that he yielded on this point and he did not stick to what had been done outside after due deliberation, *viz.*, 85 crores. Thirty-five crores was not the sum on which the Honourable the Finance Member alone had persisted. It was agreed to not only by the Finance Member, but by the Leader of the Opposition, by the Deputy Leader of the Opposition, myself, Sir Purshotamdas Thakurdas, Mr. Anklesaria, Lala Ram Saran Das and others. All people, who were present there, had agreed, but, in spite of this universal agreement, the Finance Member saw that the pressure from this side was so strong that he agreed to 40 crores. This is certainly a great credit to him; but he made one position clear, and that is, that he would agree to 40 crores if the Bill was not changed materially. Now, I see that no material change is going to be effected in this Bill, and so I lend my wholehearted support to the Bill as it has emerged from the Select Committee. At least I stand by the Report of the Select Committee and I will stand by it on all the material points raised there, whatever the House may now decide. I will not listen to anything, but I will stand by the Report of the Select Committee, as I have done. I think the proviso which has been added after due deliberation that the gold reserves should not be touched as long as we have other securities to touch should remain. I do not see any reason why we should keep the sterling securities in our hands and go on selling our gold. Our gold must be the last resort to be parted with, at least in the circumstances in which we are standing now. That is the position we should take, but, as regards the future, if the Directors find that it is impracticable to keep the gold and the market gets settled down in the world, then Government can come before this House and get this Act amended. I will have no objection to that course if I find that we must alter our position, but, under the present circumstances, when we find that the market is holding gold, when we find that other countries are also holding gold, I think we must stand by this proviso which has been inserted in the Select Committee. Sir, with these words, I oppose the amendment.

Mr. Bhuput Singh (Bihar and Orissa: Landholders): Sir, I also strongly oppose the amendment of Mr. Ayangar. There is a strong feeling in the country that gold should not be touched. The minimum gold reserve should always be kept as long as other securities can be disposed of. Sir, in the Select Committee, there was some talk about fixing a certain percentage of the total reserve which should be kept in gold, as was pointed out by the Leader of the Opposition, but when the Government agreed to have the fixed minimum of 40 crores worth of gold, we abandoned the idea of fixing any percentage. In many countries, where there are Central Banks, there is a provision to keep a Statutory percentage of gold which does not find place in the present Bill, and, therefore, Sir, it is very necessary that there should be some understanding that the gold reserve should only be touched as a last resort and it should not be frittered away under ordinary circumstances.

The Honourable the Finance Member said that he could not visualise such a situation when the reserve gold would be sold away by keeping the sterling securities intact, but may I point out to him that even if circumstances not imagined by him did arise, then Government would be quite at liberty to bring forward an amending legislation to make the necessary changes. There are many provisions in this measure where the

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Government have laid down that in times of need to meet certain circumstances in future amending legislation will be brought forward by them, and so I ask, why not include this emergency if it ever arises for being tackled by a future amending legislation? Why are you insisting that the Central Board should have power to sell away gold at any time they think to be desirable to do so? It has always been said that the Reserve Bank should carry public opinion with it, and in this matter public opinion is very strong. I, therefore, strongly recommend to the Government not to press this amendment, but I would rather request them to withdraw it.

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): Sir, I very much regret the attitude of the Government in this matter, and I congratulate my friend, Mr. Yamin Khan, who is always sincere in his convictions and stands by what he says. As a matter of fact, he said that he wanted to stand for 35 crores worth of gold, and if Government changed, he would also change. Therefore, it is perfectly fair and right that he has changed when Government have changed their position.

As regards the Government attitude, Sir, all along they were the masters of the situation. They had to accept dictation from elsewhere. It is certainly true that the Finance Member said that he could give no undertaking, and everybody understood his position and everybody understands his position even now. If left to himself, I certainly believe that the Finance Member would not have pressed for such an unnecessary amendment against the decision of the Select Committee which was almost unanimous.

Then, as regards clause 33 (2), I remember that we on the non-official side in the Select Committee agreed not to press for any percentage, provided that the provision about forty crores gold was accepted by Government as a matter of compromise. Though there may not be any understanding, yet certainly there was general agreement about it. It may not be a promise or understanding in the technical sense, knowing full well that there cannot be any agreement between persons who are not free agents. Even now the Finance Member said that he could not conceive of any circumstances, he could not realise any circumstances at present, when it might be necessary to touch gold instead of touching sterling. Now, if even the Finance Member who is such an expert financier, cannot conceive of any circumstances to touch gold, why is this anxiety to make provision for it? If such unprecedented and unnatural circumstances arise, certainly they can come to the Assembly and amend the Bill, otherwise we can only conclude that they are apprehending that there might be some demand for gold from the Bank of England and they will have to yield then. If that is so, then they should make the position clear that this Reserve Bank should be run in the interests of the Bank of England, and so all sorts of possible eventualities must be provided for, otherwise, after the statement of the Finance Member in reply to the question put by my friend, the Raja Bahadur, that he could not conceive or realise any circumstances when such a necessity might arise, I think Government will now see their way, unless, of course, their hands are tightened by instructions from elsewhere, not to press for it. I do not know what will be the attitude of the Members of the European Group. I expect that they are free to exercise their judgment, because

their Leader was also a party to the Select Committee's Report. If necessary, I shall read the relevant portion from the Select Committee's Report.

"We have added a proviso to ensure that the minimum gold holding specified in clause 33 (2) shall in any case be retained as the last reserve. We consider that if the currency reserves had to be drawn upon so heavily that they were reduced to 40 crores a situation would have been created which would in any case require consideration of the whole position. In that event we think it of the greatest importance that the Bank should possess at least this minimum holding of gold as a nucleus of reserves with which to maintain the currency position on the new basis which might be settled after such reconsideration. It is because we consider that a stock of gold will in such circumstances be the most valuable nucleus that we think this minimum should be preserved in the shape of gold rather than in sterling securities. In making this recommendation we do not imply that a provision of this nature, earmarking a certain portion of the currency reserves for special treatment, is necessarily suitable as a permanent provision, and we recognise that it may have to be reconsidered when the occasion contemplated in the preamble to the Bill arises and it is possible to frame measures for establishing the Indian monetary standard on a permanent basis."

It is no secret that Indians have a special inclination for preserving as much gold as possible. We are not of such a scientific turn of mind as the Finance Member. Though we know that gold cannot be eaten, it has been the experience, not only of an antiquated people like ourselves, but also of the most modern people, the Americans and the French, that they go in for gold, and, therefore, the Finance Member will excuse the people of India, with a traditional love for gold, if they want to keep as much gold as possible.

The Honourable Sir George Schuster: It is a very bad and foolish world!

Mr. S. C. Mitra: Since in this foolish world, when there is only one wise man, that wise man must wait till the rest of the world comes up to his level. I do think that my Honourable friend's speeches should be circulated more in America and in Europe than in this country. I understand that the Finance Member further said that gold was more speculative than sterling securities. It is a very amazing remark. An expert like our Finance Member says that, and we have swallowed many things that he has said, but I may say that his new theory about gold being more speculative than sterling securities may be reserved for people with greater culture and civilisation than ourselves. I am sure that even now, if he were a free agent, he would not press this amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is.

"That the proviso to sub-clause (1) of clause 37 of the Bill, be omitted."

The motion was negatived.

Clause 37 was added to the Bill

Clause 38 was added to the Bill.

Clause 39 was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): We now reach clause 40. Clauses 40 and 41 deal with the obligation imposed upon

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the Reserve Bank to maintain the external value of the rupee at a particular figure. There are quite a number of amendments on the Order Paper as regards both these clauses. While it is necessary that every variety of amendment must have a chance of being moved and argued, it is also necessary that the discussion must be concentrated and not be duplicated on each of these two clauses. Therefore, the procedure that the Chair proposes to follow is this. The Chair will put the question that clauses 40 and 41 do stand part of the Bill. The amendments fall roughly into three classes. One class of amendments wants to leave the rupee to take its own course and not to fix a value. Another class of amendments seeks to fix a lower value than that provided in the clauses; and a third group seeks to enact that the value should not be decided now and here, but that the value of the rupee must be such as may be existing under the law for the time being in force when these clauses come into operation. These are the three groups of amendments. The amendments dealing with the first group, that is, to leave the rupee to find its own level without fixing a rate, are the amendments Nos. 251 and 252 in the name of Mr. Thampan and Raja Bahadur G. Krishnamachariar respectively. The Chair was given to understand that these two Honourable Members did not wish to move their amendments.

Raja Bahadur G. Krishnamachariar: That is right.

Mr. President (The Honourable Sir Shanmukham Chetty): Therefore, we are left with the other two groups, one group fixing a lower value, and another group allowing it to be fixed at the value that prevails under the law for the time being in force. The Chair proposes to take one amendment from each of these groups and to allow a comprehensive discussion on that. Analysing the amendments, the Chair finds that amendment No. 254, standing in the name of Mr. Sarma, and amendment No. 259, standing in the name of Sir Cowasji Jehangir, are typical amendments in the last group. The Chair would, therefore, allow Mr. Sarma first to move his amendment, and then the Chair will ask Sir Cowasji Jehangir, if he so desires, to move No. 259. Then, what the Chair proposes to do is to ask Shaikh Sadiq Hasan or Dr. Ziauddin or Mr. Sitaranaraju to move one of those amendments which seek to fix the value of the rupee at 1s. 4d. The discussion will take place comprehensively on these three amendments, and Honourable Members must understand that, when the discussion on these three amendments has taken place, the discussion will close and then the necessary questions will be put on clauses 40 and 41. There are other amendments which are slightly a shade different from these, but in substance are the same, and, therefore, the Chair does not propose to ask those Honourable Members to move the amendments that stand in their names. That is the procedure that the Chair proposes to follow.

Mr. Vidya Sagar Pandya (Madras: Indian Commerce): What about the amendments that suggest reduction from 1s. 6d. to 1s. 4d?

Mr. President (The Honourable Sir Shanmukham Chetty): They come under the second group of amendments.

Sir Cowasji Jehangir: You have referred to amendments—an amendment in the name of Mr. Sarma, No. 254, and an amendment in my name, No. 257, on clause 40.

Mr. President (The Honourable Sir Shanmukham Chetty). The Honourable Member's amendment, No. 259, is better.

Sir Cowasji Jehangir: I will move either the one or the other. What about clause 41 which does not stand quite on the same basis as clause 40?

Mr. President (The Honourable Sir Shanmukham Chetty). Quite so. The point is that the discussion must be comprehensive. Clause 40 fixes the rate at which sterling has to be sold by the Bank, and clause 41 the rate at which sterling ought to be purchased by the Bank. The decision of the House will be definitely given when the amendment of Mr. Sarma or Sir Cowasji Jehangir is put to vote; but, in spite of that, if the Honourable Member wants to take a decision on a corresponding amendment of clause 41 he can simply take the vote and there will be no discussion. Whatever he has to say on that, he must say now. The Chair wants the House to discuss in one comprehensive discussion both the rates for the purchase and sale of sterling and the Chair cannot allow a second discussion all over again on clause 41.

Mr. S. C. Mitra: What about my amendment No. 263, which is slightly different in this way . . .

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair quite realises that. That amendment is only to a very slight degree different from the amendment of Sir Cowasji Jehangir. If the Honourable Member insists on moving it, the Chair has certainly no objection to ask him to move it.

Mr. S. C. Mitra: My amendment should be confirmed by this Legislature.

Mr. President (The Honourable Sir Shanmukham Chetty): The amendment of Sir Cowasji Jehangir would be the same. Any law for the time being in force must have the sanction both of the Governor General and of the Legislature. Therefore, in that sense, Mr. Mitra's amendment is substantially the same as the other amendment.

Mr. H. P. Mody (Bombay Millowners' Association: Indian Commerce): The other amendments of Sir Cowasji Jehangir go out?

Mr. President (The Honourable Sir Shanmukham Chetty): All the other amendments go out.

Raja Bahadur G. Krishnamachariar: What about 276?

Mr. President (The Honourable Sir Shanmukham Chetty). That is exactly the explanation that the Chair gave to Mr. Mitra just now. If a rate is fixed by the Governor General and subsequently approved by the

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Legislature, it comes to the same thing as the rate for the time being in force. If Mr. Mitra takes a different view, the Chair will certainly allow him to move it.

The question is:

"That clauses 40 and 41 stand part of the Bill."

Mr. R. S. Sarma (Nominated: Non-Official): Mr. President, I move:

"That for clause 40 of the Bill, the following be substituted:

'40. The Bank shall sell to any person who makes a demand in that behalf and pays the purchase price in legal tender currency at its office in Bombay, Calcutta, Delhi, Madras or Rangoon, gold for delivery at the Bombay Mint at the rate which may be fixed by the law which is in force on the day prior to the coming into force of this section or, at the option of the Bank, sterling for immediate delivery in London at the rate and subject to the conditions under which, on the aforesaid day, the Governor General in Council is, by law, under obligation to sell sterling.'

May I move the other amendment also?

Mr. President (The Honourable Sir Shanmukham Chetty): Not necessary. The real discussion will be on this. If the verdict of the House goes against Mr. Sarma and if he still wants to move the corresponding amendment to clause 41, he will have simply to move it and go to the vote.

Mr. R. S. Sarma: Sir, I consider it a rare privilege and honour to move what I conceive to be the most important amendment of all the 200 odd amendments that are on the Order Paper. (Hear, hear.) Sir, even if the interruption is ironical, I may say that I consider it important, not because it comes from me, but it is important, because the whole House will recognise that after the disposal of the clauses referring to Shareholders *versus* the State Bank, clauses 40 and 41 are the most important and vital in the Reserve Bank Bill and, as my amendments refer to them, I consider them as the most important of the 200 odd amendments that are on the Order Paper. I am also in the very very happy position that in moving this amendment, I am not only having considerable support among my own Party, but I also understand that my amendments have the sympathy and support of a large body of non-official public opinion in this House. Sir, I must at once frankly and candidly state that I do not pretend to any expert knowledge of finance or banking or currency and I realize that these particular amendments must be defended from the agricultural point of view, from the industrial, statistical, and economic points of view. I have been able to get, I think, the support of people like my friend, Mr. Neogy, the Leader of the Democratic Party, Mr. Scott, Mr. Mody and Dr. Ziauddin Ahmad. I am sure that the constitutional aspect will be fully dealt with by Mr. Neogy than whom there is no one better fitted to deal with that aspect of the subject, the statistical aspect by Dr. Ziauddin Ahmad, the economic aspect by Mr. Mody, last, but not the least, the industrial aspect by Mr. Ramasay Scott. Sir, I realise that the responsibility of moving this momentous amendment is a very great one. I have on this occasion gone back upon my usual practice of making extempore speeches. I have put down in paper what I have got to say on this subject. I propose to read from notes making my comments wherever necessary.

In the devising of these two amendments standing in any name, I have kept three very distinct things in mind.

Firstly, I have assumed, without admitting that the ratio is not to be discussed in the present Bill, that advantage should not be taken of the present Bill to raise that question. Secondly, I have given the fullest weight to the assurance which the Honourable the Finance Member gave that, as far as this Bill was concerned, he did not seek to alter the existing law. Thirdly, I have provided, I believe, for an early occasion when this Assembly will perforce be called upon to discuss the ratio on its own merits. So far as the first two objectives are concerned, the country should be happy that there is to be an early opportunity for the discussion of the ratio in this House. Nor is this an objective which the Finance Member should disapprove of. When there is such strong feeling in this matter both in the House and outside, it is but fair that the issue is not evaded but, faced straight and square at as early a date as possible.

In his concluding remarks on Thursday, the 30th November, Sir George Schuster said that he was only picking up the provisions of the existing law. He also gave the assurance that he had not the least intention of altering the existing law. I want to invite the attention of the House to the reiteration of the words "the existing law". The existing legal position—that and only that—is what he professes to maintain in the clauses of the Bill. Let me take the Finance Member at his own word and he cannot have any complaint if we examine the clauses which he has put in the Bill from the standpoint of what he himself stated in clear, unambiguous and emphatic terms. The simple test therefore, is this. Do these two clauses maintain the existing legal position? Are they just picking up the provisions of the existing law? Does his intention to do nothing by way of altering the existing law stand vindicated? This is the criterion by which I shall judge the two clauses and Sir George would agree that this criterion is fair and proper as it arises from his own clear and explicit statement in the House on the 30th November.

For any par of exchange, there should be an upper point and a lower point. The par of exchange is itself, as is usual, never stated in the Bill, but it is clear that the par of exchange intended to be incorporated in this measure is 1s. 6d. sterling. What the Bill does is to provide, in clause 40, the lower point at 1s. 5-49/64d., and in clause 41, the upper point at 1s. 6-3/16d. The same thing can be expressed in another way. The Bank is to be statutorily required to sell sterling for unlimited quantities at 1s. 5-49/64d., so as to prevent exchange slipping below this rate and to buy sterling for unlimited quantities at 1s. 6-3/16d., so as to arrest exchange soaring beyond this rate.

Clause 40, which deals with the sale of sterling, reads as follows:

"40. The Bank shall sell, to any person who makes a demand in that behalf at its office in Bombay, Calcutta, Delhi, Madras or Rangoon and pays the purchase price in legal tender currency, sterling for immediate delivery in London, at a rate not below one shilling and five pence and forty nine sixty-fourths of a penny for a rupee:

Provided that no person shall be entitled to demand to buy an amount of sterling less than ten thousand pounds."

Sir, the corresponding section in Act IV of 1927 is section 5 of which sub-section (1) is as follows:

"5. (1) the Governor General in Council shall sell, to any person who makes a demand in that behalf at the office of the Controller of the Currency, Calcutta, or of

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the Deputy Controller of the Currency, Bombay, and pays the purchase price in legal tender currency, gold for delivery at the Bombay Mint at the rate of twenty-one rupees, three annas and ten pies per tola of fine gold or, at the option of the Controller or the Deputy Controller, as the case may be, sterling for immediate delivery in London at an equivalent rate :

Provided that no person shall be entitled to demand an amount of gold or sterling of less value than that of 1,065 tolas of fine gold."

Sub-section (2) deals with the method for determining the equivalent rate; and sub-section (3) lays down that the equivalent rate so determined shall be notified in the Gazette of India. On April 1st, 1927, that is, the same day on which Act IV of 1927 came into force, a Gazette Notification was issued fixing the equivalent rate at Rs. 5-49/64d. Thus section 5 of the Currency Act of 1927 provides for the sale of gold at a specified price or the sale of sterling at the specific rate of Rs. 5 49/64d. Clause 40 of the present Bill omits the provision for the sale of gold as ineffective and contains that for sale of sterling at the same old rate. It may, therefore, be said that so far as clause 40 is concerned, both the sale of sterling and the rate for such sale are exactly as in the existing law. Let us now, Mr. President, turn to clause 41 which reads as follows :

"41. The Bank shall buy, from any person who makes a demand in that behalf at its office in Bombay, Calcutta, Delhi, Madras or Rangoon, sterling for immediate delivery in London, at a rate not higher than one shilling and six pence and three sixteenths of a penny for a rupee :

Provided that no person shall be entitled to demand to sell an amount of sterling less than ten thousand pounds :

Provided further that no person shall be entitled to receive payment unless the Bank is satisfied that payment of the sterling in London has been made."

The corresponding section in the Currency Act, Act IV of 1927, is section 4 which reads as follows :

"4. Any person who offers for sale to the Governor General in Council at the office of the Master of the Mint, Bombay, or at any other place notified in this behalf by the Governor General in Council in the Gazette of India, gold in the form of bars containing not less than forty tolas of fine gold shall, subject to such conditions as the Governor General in Council may, by notification in the Gazette of India, prescribe, be entitled to receive payment for the same at the rate of twenty-one rupees, three annas and ten pies per tola of fine gold."

Here is the real point to which I must invite the careful attention of the House. This section provides only for the purchase of gold at a specified price. There is no mention whatsoever of the purchase of sterling. Much less does it lay down any rate for such purchase of sterling. Clause 41 of the present Bill omits the provision for the purchase of gold on the plea that it is ineffective, contains a Statutory obligation to buy sterling and lays down the rate at Rs. 6 3/16d. The question I ask of the Honourable the Finance Member is this. From what Currency Act or other legal enactment does he get this rate of Rs. 6 3/16d? Is there any mention of this rate in any "existing law"? Let me stress on the words "existing law" in this question. I am only pointing out that the Honourable Member in his earlier speech in this House said that in what he was doing he was not altering the existing law, but was reproducing it from the existing Currency Act. Now, Sir, as far as I have been able to understand, and from the careful inquiries I have made from persons who are knowledgeable in this matter, the rate of Rs. 6 3/16d. for purchase of

sterling is nowhere to be found in the existing law. That is a lacuna which we have got in the legal position of the ratio on the basis of 1s. 6d. sterling, and it seems to be the intention of the Honourable the Finance Member to rectify the lacuna through clause 41 of this Bill. Now, rectifying a legal lacuna is not exactly loyalty to the assurance that there is not the "least intention to alter the existing law". I maintain, Sir, that if the Finance Member is *bond fide* in the assurance which he, voluntarily and of his own accord, has given us, he should not persist in this attempt to use the present Bill to rectify a defect of the existing law. If he does persist in such an attempt, I am sorry that the House will be constrained to conclude that he is seeking. I am obliged to say, unfairly to sneak this provision into the Bill while blandly pretending perfect innocence. I shall, however, be not so uncharitable as to doubt his motives or question his *bond fides*. I am ready to believe that through an oversight or through a cursory understanding of the detailed provisions of Act IV of 1927, he has been led to incorporate a clause like clause 41 in the sincere belief that clause 41 did not alter the existing law. I should, therefore, make a special appeal to him to take note of the arguments I have urged and to modify this clause in such a way that it would just maintain the existing legal position—neither more nor less. If he sees the inevitability, let alone the reasonableness, of the point of view I have stressed, the Honourable the Finance Member could, I am sure and the House will be sure, easily perceive that my amendments carry out in letter and in spirit the assurance of Sir George Schuster and the objective which he has owned in the assurance while his own clauses belie, and run counter to, that assurance. He must, I urge, be only too glad to drop his own clauses and incorporate mine, and I hope he will do it, and I may also hope that he will not only incorporate my own clauses, but tell me, "Thank you, Sarma, for drawing my attention, in time, to this serious oversight." (Laughter.) (Hear, hear.) As I said, section 5 of the Currency Act of 1927 provides for sale of gold under certain conditions or, in the alternative, sale of sterling at a specified rate. My amendment to clause 40 provides for sale of gold under the conditions specified by law at the time this clause comes into force or, alternatively, the sale of sterling at the rate which is the *de jure* rate on the aforesaid date. It will be seen that while I have made no commitment in this clause for any specified price of gold or any specified rate for sterling, the amendment is devised in a way that it preserves the closest contact with the relevant section of the existing law. By the same token, a careful appreciation of the amendment I have proposed for clause 41 and of section 4 of the Currency Act of 1927 would show that, while I have retained the provision for the purchase of gold and made sure that such purchase will be under the conditions, if any, that are legally in force, I have provided for purchase of sterling not at a rate which has no legal sanction today, but at the rate which, on the day the section comes into force, will be the *de jure* rate. I have, therefore, not gone beyond the limits of the existing law. At the same time, I have made sure that the Bill will contain provisions for both the lower and upper points. To the extent that one of the two points remains indefinite and obscure according to the legal position as it obtains today, that indefiniteness will continue till the necessary steps are taken by the Government to make it definite. It may be that it may not suit the Finance Member to leave one of the two points indefinite. But, as he will realise, it cannot be helped as he himself is responsible for the assurance that what he wants today is to maintain just the legal position.

[Mr. R. S. Sarma.]

If he wants anything over and beyond the existing legal position, he must say so frankly. And after speaking his mind frankly, he must place before this House proposition in connection with the Currency Act of 1927 for insertion in that Act of the definite rate which he wants. From the point of view of the position that he has taken in this Bill, that is the only logical course. He cannot smuggle in any non-existing rate in the present Bill. These are my arguments for pressing my point of view before this House and before the Honourable Member.

Sir, I want to conclude with a personal note. (Hear, hear.) The Honourable the Finance Member, whose term of office will shortly come to a close, has enjoyed a very high reputation. However much people here and outside may disagree with his policy, however much they may think that his financial policy has in many respects not contributed to the welfare of this country.

I have heard it often amongst his worst enemies who have had opportunities of listening to him either from the Press Gallery
 4 P.M. or from the Distinguished Visitors Gallery that however much they may have been against him, once they come and listen to his sweet reasonableness and to the appealing manner of his speech, they always wished to revise their opinion and to reconsider their judgment in the light of the reasons given by him on the floor of this House. I appeal to him that even on this occasion he should try to do the same and accept my amendment in the spirit in which it has been moved. I have heard it mentioned by my Honourable friends who sat in the Select Committee and also by other Honourable Members that if these amendments are carried out, Government will withdraw the Bill. Sir, as soon as some of these amendments were published in the Press two or three days ago, as soon as the news paragraph apprised that among the divergent views that are being held both by Government about 18d. and the popular demand for 16d. ratio, the amendments standing in my name and in the name of Mr. Mody seemed to be the most acceptable compromise, Government were anxious to issue a communiqué that they were not going to be a party to any compromise at all. I have also heard it stated that even if the House carried this amendment, the effect of it would be that they would be obliged to withdraw this Bill. I hope they will not do it and, I am sure, they will not do it, but the threat is there. The threat is not simply that the Reserve Bank Bill will be withdrawn, because, if the Reserve Bank Bill is withdrawn, the Central responsibility is also withdrawn. I hope no such threat will be given to this House and that this amendment will be treated on its merits. In any case, this threat need not frighten anybody. Sir, one very interesting feature of the whole of this monotonous debate on the Reserve Bank Bill for the last three weeks has been that now and again the monotony and the dullness of the debate was enlivened by a series of delightful and breezy stories by my friend, Dr. Ziauddin, and Mr. Vidya Sagar Pandya. I have also got the contagion and I want to illustrate how we are not going to be bullied by the State by any threats by narrating a small story. An Italian family were living very near mount Vesuvius and all the time they were threatened by the eruptions of that mountain. Whenever there were rumblings of the mountain, they expected some sort of eruption. So, the family used to send their children to an adjoining village and their friend in that village used to keep them until such time as the eruption was over and then he used to send back the children to their parents. But the children

made themselves such a nuisance at the house of their parents' friend that he did not like the idea of keeping them. On another occasion, when the eruption took place, the father of these children sent a letter to his friend and asked him whether he could send his children to him. The friend replied: "For Heaven's sake do not send the children, but send Mount Vesuvius. It is better of the two evils". In the same way, if we have got to choose between two alternatives, *viz.*, "Central Responsibility with all the ugly features of the Reserve Bank Bill and Government unwilling to modify it even a little bit to bring into line with public opinion" and "No Central Responsibility", I have no doubt what the answer of every self-respecting Indian will be. "We want the lesser of the two evils. Keep Central Responsibility in London, we don't want it. We are sending back your Reserve Bank Bill with Sir George Schuster when he goes home."

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That for clause 40 of the Bill, the following be substituted:

"40. The Bank shall sell to any person who makes a demand in that behalf and pays the purchase price in legal tender currency at its office in Bombay, Calcutta, Delhi, Madras or Bangoon, gold for delivery at the Bombay Mint at the rate which may be fixed by the law which is in force on the day prior to the coming into force of this section or, at the option of the Bank, sterling for immediate delivery in London at the rate and subject to the conditions under which, on the aforesaid day, the Governor General in Council is, by law, under obligation to sell sterling."

Does Sir Cowasji Jehangir want to move his amendment?

Sir Cowasji Jehangir: My amendment is like the one that has been moved; it is couched in practically the same language. I will, therefore, support Mr. Sarma's amendment later on when it is necessary to do so.

Mr. President (The Honourable Sir Shanmukham Chetty): Does any other Honourable Member, in whose name an amendment similar to the amendment standing in the name of Sir Cowasji Jehangir stands, like to move it? The amendments are in the names of Mr. Scott, Mr. Modj and Mr. Thampan.

Mr. J. Ramsay Scott (United Provinces: European): I wish to support Mr. Sarma.

Sir Cowasji Jehangir: May I point out, Mr. President, that all these amendments are practically the same and, therefore, there is no necessity to move any of them. The simplest method is to support Mr. Sarma's amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair would now ask one of the Honourable Members to move an amendment which seeks to fix a definitely lower rate for the rupee. These are amendments Nos. 266, 267, 268 and 269. The first amendment stands in the name of Shaikh Sadiq Husam and he can move it if he wants to. But there is an error, because he says "one shilling and three pence and forty-nine sixty-fourths". The Chair takes it that he wants to fix the rupee at 1s. 4d. at par exchange in which case the lower point is not just what he said. Probably some Government Member will be able to give the lower point.

The Honourable Sir George Schuster: He can take any rate he likes. It need not be calculated on a logical basis.

Mr. President (The Honourable Sir Shanmukham Chetty): That is not the point. It is understood that the intention is to have 1s. 4d. at par exchange.

Dr. Ziauddin Ahmad: It is 1s. 4d. at par and so is Mr. Raju's amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair would allow it to be moved as it is, but later on when the question is put, the Chair would permit the correction to be made.

Mr. H. P. Mody: Are not Government in a position to say that straight-away?

Mr. President (The Honourable Sir Shanmukham Chetty): Does Mr. Mitra want to move his amendment No. 263?

Mr. S. C. Mitra: Sir, I beg to move:

"That in clause 40 of the Bill, for the words 'not below one shilling and five pence and forty-nine sixths of a penny for a rupee' the following be substituted:

'to be announced by the Governor General in Council after consultation with expert opinion in the country at the time of bringing this Act into operation and that question shall be placed subsequently before the Central Legislature for its confirmation'."

Sir, it is admitted that this Bill is not going to be put into operation immediately. It will take at least a year before this measure comes into force. So, we feel that there is no necessity for us now to fix any ratio, because it is certain that, during the lapse of another 12 months, the circumstances are very likely to change. It is generally believed in India today that the present ratio of 1s. 6d. is not in the best interest of the country. I know that in this Bill we are not directly required now and here to fix any ratio. What I suggest is that the Government should not even now declare the ratio, but, before this Bill actually comes into operation after 12 months, they should appoint an expert Committee which should go through this question in detail and come to a decision and give their suggestions. I agree that it is not for the Legislature even at its public sittings to discuss and decide what should be the ratio of exchange. It certainly lies in the province of experts to decide these matters. In my amendment I suggest that this recommendation of the expert Committee should be placed subsequently before this Assembly for discussion and their opinion. This is not a very unusual course. The executive has to take action in an emergency. But that is no ground why any action taken by Government should not subsequently be placed before the Legislature for their opinion. In my amendment what I suggest is that instead of fixing any ratio about the things that will happen 12 months after, the Government, instead of committing in any way that they would stick to the present ratio even a year hence, should leave it to the wisdom of an expert body which should make the necessary enquiry at that time.

Sir, I know that this ratio question is a very delicate one. Even the anticipation of exchange in any way leads to great speculation. I am just referring to the occurrence that took place only a few days ago. A recognised press agency gave currency to the report that there had been a certain settlement about this ratio controversy between the non-officials and the Government Benches. In this particular case, the

news agency being a subsidised agency and generally being in a position to express Government views on their inspiration, certain people thought that there must be some truth behind it. It may not be known to Government that there are speculators who may go to any extent and take advantage of the situation to exploit the people. Even on flimsy grounds, they speculate in Calcutta, Bombay and Madras. So I believe that we should leave nothing here in this Bill that should in any way lead to any speculation. As I said, it is the business of the executive Government, and in this matter they should be properly advised by an expert Committee as to the ratio that should be fixed in the best interests of the country. As the Honourable the Finance Member said, this question was not directly at issue in this Bill. So I do not like to go into details. This involves a very interesting and essential question, namely, by changing the ratio how much we can help in the present depression. Some people think that by merely handling of this ratio properly, we can cure all our ills. I am not a believer in that extremist school, though I know that a large body of Indian opinion is on that side. To me the question takes this shape. By changing the ratio, we can certainly make our things cheaper, but I think the real question is whether by changing the ratio, we can create a larger demand for our produce. We can make our things cheaper by lowering the ratio level, but we cannot create a demand if there is over-production everywhere. I am thinking about the jute industry in Bengal. We know that it is a monopoly produce of Bengal, but unless there is a demand for it all over the world, even though it is a monopolistic production of Bengal, we cannot raise its price level. I do not take it as a conclusive proof that a lower ratio alone will help us, but I must also admit that there is strong opinion in the country that, by handling this ratio question properly, it may help in raising the price level in this country. But as I said, I agree to a great extent with the Finance Member that this ratio question is not a live issue in this Bill. The Bill will come into force only after 12 months and we are not in a hurry to fix the ratio here and now. I do not see why the Government should not agree to a suggestion like the one contained in my amendment. I do not in any way wish to encroach on the right of Government to fix that ratio, but it is also certain that, in fixing the ratio, the Government should consult expert opinion. The only question is about its ratification by the Legislature. When Government are every day becoming more and more democratic and want to be responsible or at least responsive to public opinion, I think it is to their interests also to see that whatever they decide may have public support. Why should Government think that the Legislature a year hence will be so unreasonable as to go directly against the decision of experts? This ratio is certainly a question for experts to decide after going through the pros and cons of the matter in detail. So I think it will not be going against the fundamental principles of this Bill or even disturbing the balance of equilibrium of this Bill in any way if my amendment is accepted by Government. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Further amendment moved:

"That in clause 40 of the Bill, for the words 'not below one shilling and five pence and forty-nine sixths of a penny for a rupee' the following be substituted:

'to be announced by the Governor General in Council after consultation with expert opinion in the country at the time of bringing this Act into operation and that question shall be placed subsequently before the Central Legislature for its confirmation'." ...

Mr. President (The Honourable Sir Shanmukham Chetty): One amendment fixing a lower ratio must now be moved. Mr. Raju may move his amendment in the form in which it appears in amendment No. 266, for that is a better form.

Mr. B. Sitaramaraju: Sir, I beg to move:

"That in clause 40 of the Bill, for the words 'one shilling and five pence and forty-nine sixty-fourths' the words 'one shilling three pence and forty-nine sixty-fourths' be substituted."

Sir, this afternoon we had a very eloquent speech and a very well informed speech from quarters where I least expected it. Sir, the speech was from an Honourable Member who is nominated by the Government of India. The speech was no compliment certainly to the Government of India, but it is certainly a compliment to all the brotherhood of nominated Members of the Government of India on the floor of this House, and I have begun to feel respect from now even for the nominated Members of Government in this House.

Sir, while I appreciate all that has been said by my Honourable friend, Mr. Sarma, I venture, however, to move this amendment, because in this country at present, in the great controversy that is going on over this very important question, there are three distinct schools of thought. There are those who think that 1s. 6d. is not too high; there are others who hold that 1s. 4d. ought to be fixed as the proper ratio; and there are again those who consider that the rupee ought to be left to find its own level. To these may be added all those Honourable gentlemen who are anxious to leave this matter to be fixed at the time of the actual operation of the Act. I have adopted the 1s. 4d. school of thought. In adopting that, I do not venture to submit with any great authority that the value of the rupee at the present moment is exactly 1s. 4d., but certainly it is not 1s. 6d. I am convinced of that. There can be no question and there can be no doubt that 1s. 6d. is an over-valuation of the rupee. But I consider that on an occasion like this, unless we fix a definite value, we will be losing a very important chance, and I was always suspicious of postponing matters which can be remedied at the present moment. Again, Sir, I thought that fixing the value at 1s. 4d. would certainly be in the direction of devaluating the rupee because, as I have already stated, 1s. 6d. was far too high. Its value is either 1s. 4d. or even less than that, but let us have at least this 1s. 4d. because of the great relief it would afford to those particular interests which I have the honour to espouse in this House. Sir, in saying that I am going to speak for the large class of people called the agricultural population in this country. I stated on the very first day of the debate on this Bill how this question of ratio was a matter of vital importance to the agricultural population. It is not my desire to repeat today all those arguments and all those facts that I submitted before the House on this question already. I am not justified in repeating them, nor do I propose to do so. But this much I do say that the people for whom I venture to rise and speak with such confidence even in this House should have justice done to them, when there is great need for immediate redress in those quarters. The greatest good to the largest number of people and people who are least able to bear the strain is my justification for an immediate revision of the policy. It may be true that difficulties would come in, it may be also true that there may be other charges to meet, it may also be true

that we may have to pay for any loss in some other directions; but still I say that you have to take into consideration the fact that here is more than 75 per cent. of the population of this country who are suffering great distress on account of your valuation and the needs of these people, people who are poor and least able to bear the strain, is ample consideration for this House to give them the necessary justice. Sir, when we remember how this over-valuation of the rupee has created havoc, how it has contributed to a great fall in the prices of the primary products of the country, how great has been the distress which has been occasioned by it, I think a move in the direction that I have pointed out of devaluating the rupee is urgently called for and there is ample justification for doing so, because it will relieve a great number of people and will enable those people to have at least a fair price for the articles that they produce. Sir, it is not necessary for me to question the international morality of persons who have gone off their gold and have depreciated their currency. But when others are engaged in currency depreciation, why should we not even get a proper value for our currency? But here my humble submission is and all that I want is that you cannot at the point of the bayonet put a high artificial value on the rupee. Let the rupee have its fair value and, so far as we can see, 1s. 4d. seems to be a fairly good value as we understand it, and, if it is not less, let us have at least 1s. 4d. With these words, I move the amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): Further amendment moved:

"That in clause 40 of the Bill, for the words 'one shilling and five pence and forty-nine sixty-fourths' the words 'one shilling three pence and forty-nine sixty-fourths' be substituted."

The discussion will now take place on all these amendments and the original question.

Mr. J. Ramsay Scott: Sir, I support Mr. Sarma's amendment. All it really attempts to do is to prevent Government from speculating—speculating that the ratio of today will be the same a year or 18 months hence when the Reserve Bank comes into being. There is no apparent reason why any ratio, any more than a Governor, should be mentioned at the present moment, and if the answer is that putting in no ratio in the Bill will encourage speculation, then my reply is that speculation will occur and will always occur whatever the ratio is whenever there is a fall or rise in foreign exchange. For my purpose, I want, as Sir George Schuster claims he wants, the maintenance of the *status quo*, neither more nor less. Let me read to you what the Honourable the Finance Member said on this matter:

"This Bill picks up the provisions of the existing law. It has to do so. Whatever we do, we must make it clear that the provisions of the existing law are going to continue, and, if we were to adopt any other course, we should be grossly deceiving the public, because at present we have not the slightest intention of altering the provisions of the existing law."

Now, let us see what is the existing law. There is no Statutory upper point, but only a Statutory lower point in terms of sterling. The law applicable to this matter is laid down in the Currency Act of 1927 which

[Mr. J. Ramsay Scott.]

conferred a gold bullion standard as far as the buying obligation was concerned, but a sterling exchange standard in reference to the selling obligation. In other words, the upper point was in terms of gold which the Government undertook to buy at Rs. 23-3-10 per tola of fine gold. With the snapping of the link with gold, this upper point has ceased to be effective. There is, therefore a lacuna with the Currency Act as a basis for an upper point in terms of sterling. While the present law gives no upper point in sterling, the Finance Member seeks to smuggle in the upper point through clause 41. This means undoubtedly that he goes beyond the provisions of the existing law, and I will put a plain and simple question for a categorical answer from the Honourable the Finance Member. How do you justify, in the light of these facts, your claim that you have not the least intention of altering the existing law? It is on this claim that the Honourable the Finance Member has bolstered up his plea that we are only discussing the Reserve Bank Bill and that this Bill has nothing to do with the ratio. It is by this plea that you have got round a good few Members of this House. Now that they know the real facts, I hope that they will realise that they have been misled on the ratio question.

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I would like to remind the House that in March, 1927, when Sir Basil Blackett introduced his Currency Bill, he stated that it was intended to be operative only during the interim period between the time it was passed into law and the time when the Gold Standard and Reserve Bank Act was to come into operation. The future of the Indian Currency has to be regulated by the provision of the later Act. This Bill was, therefore, only a transitional measure.

The transitional measure became law in March, 1927, or nearly seven years ago by the small majority of three, by 68 votes to 65, and it is now being attempted to make the Reserve Bank responsible for the transitional measure of 1s. 6d.

What does the new Bill say? The Preamble starts away with the assurance that the Bill will operate the currency and credit of the country to its advantage. *The advantage of India*, mark you, Sir. The preamble further states that, in the present disorganization of the monetary systems of the world, it is not possible to determine what will be suitable as a permanent basis for the Indian monetary system. Read further, Sir:

"It is expedient to make temporary provision on the basis of the existing monetary system and to leave the question of the monetary standard best suited to India to be considered when the international monetary position has become sufficiently clear and stable to make it possible to frame permanent measures."

Now, Sir, I ask you, if a transitional measure has been in force for seven years, how long will a "temporary provision" be in existence?

The question of the monetary standard best suited to India is to be considered when the international monetary position has become sufficiently clear and stable to make it possible to frame permanent measures.

A temporary makeshift during a crisis, but I might say that the possibility of the attainment of a stability Utopia is as far off today as it was in Moore's day.

Now, let us see what the Guardians of our Finance have said. Sir Samuel Hoare has openly stated that there is no intention to alter the ratio, and Sir George Schuster said that:

"If we had thought that our introduction of this measure was to be made an occasion for attempting to revise the present position, we should never have introduced the Bill at all."

Our transitional and temporary measures have, therefore, in spite of all Government's previous statements, become unalterable as the law of the Medes and Persians.

Sir, with all the convulsions in the economic sphere, one would have thought that the Government would have made an inquiry into the best rate of exchange in the best interests of India, but I have seen no sign of Government taking such a step, but in an arbitrary manner they have put forward 1s. 6d. and have said that there is to be no argument about the matter. Further, the Honourable the Finance Member has said that we do not seek to get any new confirmation of that ratio from the Legislature. It was well that he said so, for this Assembly is in no mood to repeat the blunder of 1927 and to put 1s. 6d. again on the Statute-book. Sir, the Honourable the Finance Member dare not put the currency question before this Assembly, for although it was carried in 1927 by three votes, it has proved so disastrous to the country that a lower ratio would be carried by a large majority.

Sir, I saw in the *Statesman*, the talk of an Economic Conference urging stability of exchange within the Empire. I would welcome such a Conference and Empire Reciprocity, but only when India has an exchange suited to her best interests and the same powers to adjust her exchange as any self-governing dominion. India within the Empire is at a great disadvantage today as since 1914 her exchange has *appreciated*, while dominions like New Zealand, Australia and Canada have depreciated theirs over twice as much as the depreciation assistance India gets from the depreciated pound. Australia has been quoted before, and the Honourable the Finance Member has said that there is no comparison between Indian and Australian conditions. Australia felt the depression first and felt it worse than India; yet, in a short space, by courageous banking, depreciated exchange and drastic cuts in Government expenditure, it has regained solvency and in its 1933-34 budget last October remitted 7½ million pounds of taxation, that is 10 crores in Indian money. What can India show?—a small increase in railway earnings of probably about a crore and a half and a decrease of five to six crores in customs receipts. There is no hope of the remission of the 5 per cent. cut or 25 per cent. Income-tax in the 1934-35 Budget, unless India has a windfall which perhaps might be realised from the capitation grant refund to India which, according to rumour, amounts to four million pounds.

The Australian Prime Minister in his recent budget speech in October said:

"It is clear that it will not suit Australia, as a debtor country, for sterling to be over-valued, when the time comes to link up again with gold. Whatever the United Kingdom may decide to do in this respect, it is important that we should retain our own right to fix our monetary unit at the point which is consistent with our own price level at the appropriate time. According to the course of world events, this may be late or early.....There is no reason to suppose that any decision will have to be made in the near future."

[Mr. J. Ramsay Scott.]

India must have the same right.

Sir, there is a strong demand from all sections of the House for an immediate currency enquiry, and I hope that the Honourable the Finance Member will agree to this, and will forward the debate to the Secretary of State to show how strong public opinion is in this country.

I would go so far as to say that if Sir Basil Blackett had been asked to break his journey on his return from Malaya and spend a week in studying the relevant data,—it would not have taken more than a week, the matter is so simple,—I have not the slightest doubt that he himself would have recommended that the rupee be devalued. The best argument against the Blackett ratio is the Blackett Book "Planned Money".

Sir Basil Blackett in Malaya said, we ought to impress on Government the raising of prices in India, and, Sir, I ask, what have Government done, and what are Government doing, and what do they intend to do?

You, Sir, must have realised that we are faced with the prospect of a further decrease from customs receipts in the 1934-35 Budget, and yet the Government of this country do nothing.

I suggest that if the Ottawa Preferences have proved a success in stimulating the exports of certain exports, how much greater would be the effect of an all round 12½ per cent. preference which would cost Great Britain nothing.

Before concluding, I may mention that I have the support of the three Chambers of Commerce in Cawnpore which represent the commercial interests of the United Provinces which is no small province containing as it does a population of nearly 50 millions.

Mr. K. P. Thampan: Sir, I have great pleasure in supporting the motion made by my Honourable friend, Mr. Sarma. You will see, Sir, that I have also given notice of a similar amendment, namely, No. 262 on the Order Paper. Though the wording is slightly different, in essence they are both more or less the same. I will, therefore, content myself with supporting the motion of my Honourable friend, Mr. Sarma, and not move my own amendment.

Clause 40 of the Bill wants to perpetuate this 18*d.* ratio. It is an admitted fact and there is no use shutting our ears to the cry in the country that the 18*d.* ratio has worked havoc and that keeping up this artificial value of the rupee has been ruining the country and is still bound to create irreparable loss. I wish to take up the view point of the agriculturists on this subject and I will deal only with that aspect of the question.

The price of all primary commodities in that part of the country where I come from has been reduced to one-third. Paddy was selling at more than Rs. 60 a cartload: it is now only Rs. 20 a cartload. Similarly, the price of cocoanut also which was between 45 and 50 rupees for a thousand nuts is now only 15 rupees: pepper, ginger, cardamom and other produces have all come down to one-third of their previous values. The price of commodities is now much less than the cost of cultivation and, therefore, the condition of the masses has become absolutely hopeless. He has to part with his savings in the shape of jewellery. That accounts for the phenomena of so much export of gold. Though the economic position is so depressing the Government are going on merrily with putting up the land assessment. Resettlement has been introduced in more than 10 districts

in Madras. Though it is not a matter relevant to the subject under discussion, it has to be stressed. Land revenue, I know, is a provincial subject and it is no use wasting my lungs over it in this Assembly, but, all the same, as a landholder and an agriculturist, I feel it my duty to express wherever possible my grievances. The position so far as all the colonies and dominions are concerned is that they have increased the prices by depreciation of their currencies. Australia has done it; Canada has done it; South Africa has done it; New Zealand has done it; everywhere where sterling is adopted as the standard of currency, there has been depreciation of currency. In India alone, it is the other way. The rupee is overvalued. So far as the agriculturist is concerned, the devaluation of the rupee means more money for his produce: he has to pay to meet his demands less in terms of his commodity, less for the interest on his debt, less for his assessment; and he gets more for purchasing his necessities of life, such as salt, kerosene oil, cloth, etc. His purchasing capacity is increased, and consequently the position of trade also improves. It is a blind policy to shut our eyes to these aspects of the question. The attitude of the Government is indefensible. No other country will tolerate it. In this connection, I would invite the attention of the House to a speech which was very recently delivered by Sir Basil Blackett in Malaya. I find in the copy of the *Hindu* of December 10th, a verbatim report of his speech. Speaking about the necessity to raise prices, he says:

"It is a curious thing that almost everybody all over the world agrees that what is most desirable at the present moment is an all-round rise in wholesale prices, but it is quite unusual for economists to agree as to how it is to be done. I always hate being called an economist, but people will call me one. However, the story that I am about to tell you is against the economists, not against me. It is said that where six economists are gathered together there will be seven opinions and two of them will be Keynes. Nevertheless the statesmen and politicians all over the world do agree on this one point, that it is desirable that prices should be raised.....The British Government has consistently said over the last two years that the one thing which is most important, and which is receiving their most earnest and careful attention is the problem of raising prices. But they always say that they are never going to do anything about it until something else has happened that won't happen—until the gold countries do something, until one of the hundred good reasons for doing nothing or all of them are out of the way: and so the British Government has gone on saying that it is of urgent importance, to pull up our socks, and pull up prices, but it has done nothing.

But it has always seemed to me even more extraordinary that countries such as Australia and New Zealand—and I may add, Malaya,—countries dependent on sterling the prices of whose primary commodities are dependent on sterling prices, have not been more vocal in pressing upon the British Government the importance of really doing something about raising prices. If it is important from the view point of unemployment and trade in England, that prices should be raised, it is very much more important from the view point of the Indian ryot, the producer of rubber in Malaya, and the producer of wheat and wool in Australia, that sterling prices should rise, that primary producers should get a larger return in terms of their own currencies and that their debts—particularly agricultural indebtedness—should be reduced to somewhere nearer the level at which they stood when most of them were incurred—during the boom period which ended in 1929."

That is what Sir Basil Blackett, our late Finance Minister, says about the raising of prices. . . .

Sir Leslie Hudson (Bombay: European): Does he say how it is to be done?

Mr. K. P. Thampan: My Honourable friend can read the speech and find it for himself. Every word of that speech is equally applicable to India.

[Mr. K. P. Thampan.]

The point is made by the supporters of the present ratio that, in view of the large home remittances, the present rate ought to be maintained. The amount of home remittances, as I said this morning, comes to about £50 millions a year including our commitments to the Secretary of State and the invisible exports. Of course, there may be a saving of a few crores on that account. The question cannot be judged purely from that narrow point of view. It has to be judged from a wider perspective and what I may call, for want of a better word, a national perspective wherein we should see that the people, particularly the masses, have greater purchasing power, better prospects for trade and employment and greater movement of goods throughout the country and consequently better railway returns and a more satisfactory national budget. That ought to be the proper criterion; the other is not the proper outlook. The average value of our foreign trade during the last three years has been about Rs. 300 crores, but look at the internal trade, the value of agricultural and other productions of this country put together. At a modest estimate, the internal trade is about Rs. 5,000 crores, while the value of our total productions comes to about Rs. 15,000 crores. Now, compare the two and judge the immensity of the harm done to the country.

The Honourable the Finance Member said that the necessity of inserting the ratio clause in this Bill was only a subsidiary one and it arose only as an incident of the Reserve Bank Bill; in other words, the ratio was not the main issue of the Bill. He said, he had no idea to revise the present ratio and get any new confirmation or sanction of the House so far as that was concerned. He said that, for the Bank to function properly, there must be provisions fixing the upper and lower points of exchange. The idea is according to him, only to embody the present law in the Bill. I take it he is sincere in that respect. Pointed attention has been drawn by Mr. Sarma and Mr. Ramsay Scott, who preceded me, to that aspect of the question. If the intention is only to incorporate into this Bill the present law, there ought to be no difficulty in accepting Mr. Sarma's motion. So far as the selling price is concerned, it only says "according to the law for the time being in force when this Act comes in force". That is exactly what the Finance Member also wants. It is only with regard to the buying rate that there is some trouble and controversy. According to the Currency Act, there is no obligation on the part of Government to buy sterling. There is only provision for buying gold. Perhaps there was no necessity to provide for it, for no sane man would offer it at a loss. Clause 41 contemplates in the words of my Honourable friend, Mr. Sarma, to fill up the lacuna, and the proposal is, in the words of my Honourable friend, Mr. Scott, to smuggle in a provision for that purpose. In fairness to the Assembly, the Finance Member ought not to do that in this indirect way without making it a main issue as he still persists that his purpose is not to fix Statutorily the upper point for the ratio, but only to incorporate the present law. If the proposal of my Honourable friend, Mr. Sarma, is adopted, and that is what I and some others plead for, it only means that, so far as the fixing of a rate for the buying of sterling is concerned, Government will have to come to this Assembly on the eve of the Act coming into force, and get legislative sanction for it. If, on the other hand, the Government have any other ulterior motive in bringing forward this proposal, then that is a thing which some of us will not allow. It is up to the Honourable the Finance Member to give us a satisfactory answer. Really we are asked by the Government with a pistol pointed at our head: "You accept this or reject it. In the latter event, you are not getting any reform at all." That

is very unfair, and perhaps too large an order for us to obey. So far as the non-official Members are concerned, we have to judge the whole thing from the point of view of the interests of the country. It is on this aspect of the Bill, namely, on the ratio clauses, more than on anything else that the welfare and destinies of 350 millions of this country depend, and if, by any unwary action on our part, the poor people of this country are made to suffer, we will not only not justify our existence here, but also, as sure as anything, damning ourselves.

Before I conclude, I will refer to a paragraph from a book which was recently written by Mr. A. D. Shroff, the banking expert, called "A Study of the Reserve Bank Bill". At page 41 he says:

"If the economic well-being of over seventy per cent. of our poverty-stricken countrymen which hangs upon the immediate raising of the prices of primary products can, in the opinion of the Assembly, be sacrificed as a price for buying a Reserve Bank to bolster up the 18d. sterling ratio, the responsibility for the ultimate ruin of our agriculturist shall lie heavy on the heads of our legislators."

Sir, I wish to repeat that sentence again and again, but I do hope Honourable Members have already realised the gravity of the question and there is no need for that:

"Let them also not forget that under the White Paper proposals any amendment of the Reserve Bank Act in future will require the previous consent of the Governor General and the present opportunity, if missed, may never recur."

I appeal to all the non-official Members of this Assembly, to whatever Party they may belong, to give due consideration to this aspect of the case and discharge their duty purely in the interests of their country. Sir, I have no desire to take up the time of the House any more, and I have done.

STATEMENT OF BUSINESS.

The Honourable Sir Brojendra Mitter (Leader of the House): With your permission, Sir, I desire to make a statement as to the probable course of Government business in the week beginning the 18th December. You, Sir, have directed that in that week the House shall sit for the transaction of official business on the 18th, 19th, 20th, 21st and 22nd December. The business on these days will be the consideration of the unfinished Agenda in the order in which it appears on the paper today.

The Assembly then adjourned till Eleven of the Clock on Monday, the 18th December, 1933.

LEGISLATIVE ASSEMBLY.

Monday, 18th December, 1933.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

STATEMENTS LAID ON THE TABLE

The Honourable Sir Frank Noyce (Member for Industries and Labour): Sir, I lay on the table:

- (i) the information promised in reply to starred question No. 22 asked by Mr. Lalechand Navalrai on the 23rd August, 1933; and
 - (ii) the information promised in reply to starred question No. 293 asked by Mr. A. Das on the 31st August, 1933.
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LLOYD BARRAGE SCHEME ON THE INDUS RIVER.

*22. (a) Yes. The scheme was submitted to the Government of India and recommended to the Secretary of State for sanction.

(b) The Government of India are aware that the Indus was a navigable river for a considerable period before the British occupation of Sind.

(c) In the years immediately preceding the British occupation of Sind and for some years subsequently the Indus was an important link between Sind and the Punjab.

(d) It is a fact that communication by the Indus was useful to the East India Company and the Government of India for administrative purposes. A Company which was formed in 1858 with assistance from Government to navigate the Indus and other rivers, with trains of barges drawn by steamers, failed in 1869. After the connection of Karachi with the Punjab by rail in 1878 the river lost its importance as a means of communication.

(e) The Government of India are aware that it was anticipated in the scheme that there would be considerable interference with such boat traffic as had in the past plied between the site of the barrage and the sea.

(f) A copy of section VIII of Volume I of the Report on the Sukkur Barrage Project (1919), is laid on the table. The Honourable Member's attention is invited to paragraph 79 in this document. The project was sent up by the Government of Bombay and sanctioned by the Secretary of State.

(g) The lock system was considered for the Barrage, but the construction of a lock was thought unnecessary for the reasons given in paragraphs 69—76 and 80 in section VIII of the Report.

(h) The attention of the Honourable Member is invited to paragraphs 73 and 79 in Section VIII of the Report. The reasons given for disregarding traffic below Sukkur appear to the Government of India to be adequate.

(i) 450 miles. The important towns are:

Larkana, Sehwan, Laki, Manjhand, Unherpur, Kotri, Jherruck, Khairo, Dero, Mehrapur, Hyderabad Sind, and Sujawal.

(j) It is a fact that the Indus was navigable throughout its length in Sind but the boat traffic below Sukkur was not important.

(k) The interference with the river traffic below Sukkur has probably diverted the transport of goods from the river to the railways; but inquiries show that the through river traffic passing Sukkur never was considerable and that local river traffic to Sukkur is still considerable. Any inconvenience caused by the diversion is much more than counterbalanced by the general benefit of irrigation from the Barrage.

(l) No. The Government of India consider that the benefit from a lock system would be quite incommensurate with the expenditure which such a system would involve.

*Copy of Section VIII of Volume I of the Report on the Sukkur Barrage Project (1919).
Navigation on the River.*

69. In the 1909, project for the barrage provision was made for a Ships' Lock for the passage of vessels through the barrage.

The necessity for this lock was questioned by the Inspector-General of Irrigation and accordingly a census was taken of boats passing Sukkur in either direction. This census was maintained from June to October, 1917 (the busiest season) and during that period not a single boat was observed to have passed *through* Sukkur in either direction, though hundreds came down to Sukkur from the Punjab, and returned, while a fair number came from below Sukkur and returned.

70. All Country boat traffic from the Punjab to Sind, of which there is a considerable amount, and also timber raft traffic from the Punjab, invariably ties up and unloads at the Sukkur Bunder. Sukkur is in fact a great river port and for various reasons has become the river terminus for boat traffic in either direction, and there is no through traffic.

71. Boats from the Punjab bring down principally munj rope, wheat, barley, oil seeds and various salts. Much of this freight is probably produced in lands adjacent to the Indus and Punjab rivers, and is therefore conveniently carried to the boats; but in any case, as these boats can drift and sail downstream heavily laden, river freight is cheaper than railway freight.

The reasons for their stopping at Sukkur will be shown later.

72. On the return journey to the Punjab these boats have to travel against stream and for much of the distance have to be towed by men on the banks. They are therefore not anxious for heavy loads, and many go back practically empty. The principal freights carried in this direction are kerosine oil and spices.

73. There is very little boat traffic in either direction below Sukkur.

Rice, wheat and fuel grown in the Karachi District is to some extent carried up to Kotri by boat, for distribution locally, or by train thence to Karachi. A certain amount of fuel may also go upstream from the forests below Kotri to Sukkur. Between Kotri and Sukkur there is a certain amount of boat traffic up and down stream and across the river for distributing the produce of one place to another, and especially transferring rice from the Larkana District over to the Left Bank districts of central Sind. But none of this traffic goes beyond Sukkur.

74. The reasons for this are as follows:—

- (a) In the first place, Sukkur has become a port in preference to any other place in its vicinity because it is built on rock, and the river channel never deserts it. An excellent stone bunder has been built in a length of nearly 2 miles, against which boats can lie at any season of the year. At no other place in Sind, except at Jerruck, 300 miles below, are such facilities available. Everywhere else the river banks are liable to great changes and no facilities for a port can be obtained.
- (b) Secondly, Sukkur has become a great depot and distributing centre for the produce brought to it. A very large proportion of this produce is distributed in Upper Sind and Baluchistan for which Sukkur is a most convenient centre. The balance, especially of the grain, probably comes to Karachi for overseas export. All the Karachi large exporters have depots at Sukkur, hold large stocks there, and distribute to the surrounding country, or bring from there to Karachi by train.

75. The only other traffic on the river consists of—

- (i) The vessels of inspecting officers in Sind, viz., the Commissioner in Sind and the Chief Engineer in Sind, each of whom has a steamer.
- (ii) A few small steam launches owned by the Indus River Commission. These are occasionally needed above Sukkur for survey work, but are mostly used below Sukkur.
- (iii) There are a few large steamers on the Punjab rivers used for ferry duties. These steamers used to come down to Kotri occasionally at long intervals to be overhauled in the floating dock which was formerly kept there by the Indus River Commission, but since this dock was lost at sea, on its way to Mesopotamia in 1915, these steamers have not come down, and their repairs are done in the Punjab.

76. Thus it will be seen that there is practically no through traffic at Sukkur and Government has accordingly decided to omit the provision of a ship's lock.

The cost of making such a lock would be very great, besides introducing complications in the design of the barrage, and it would be difficult to construct. The cost would probably be in the neighbourhood of Rs. 15 or Rs. 20 lakhs. while maintenance expenses would be high.

77. If it is considered necessary to have inspection steamers for Sind officials, and survey launches, above Sukkur as well as below, it would be far cheaper to build separate vessels above the barrage and keep them there permanently. The steamers in the Punjab do not need to come downstream for repairs which can be arranged for locally, and new steamers required could easily be erected in the Punjab.

78. As regards facility for boat traffic between the Punjab and Sukkur, this will be much improved by the construction of the Barrage as there will be always good deep water for 20 or 30 miles above Sukkur, while beyond that point the natural river is not affected.

At the Sukkur Bunder there will be always deep water alongside, so that boats can lie alongside the wall, and the lift for unloading will be reduced.

79. For boat traffic below the barrage, the discharge in the river will be greatly reduced in the cold season by the offtake of the canals, but it is probably that the smaller discharge then passing downstream will confine itself to two narrow channels, one at either bank commencing opposite the scouring sluices, and that these channels will scour fairly deep and thus maintain a navigable section. If not, then this boat traffic may suffer. But it is an axiom of irrigation engineering, and an obvious fact, that a limited quantity of water cannot be made available both for irrigation on the land, and for navigation in the river. There can be no question in this case as to where the water would confer the greater benefits on the people, and if necessary, it must be accepted that the comparatively small amount of navigation on the Indus must suffer.

80. The above facts constitute a further argument against the construction of a lock, since even if made, there might possibly be insufficient water in the river below the barrage to enable the larger vessels to approach the lock or use the river.

81. It may be pointed out also, that as soon as the natural river level reads 12' on the Sukkur gauge the barrage gates will be fully open, and there will then be 14' of head room, between water surface and bottom of gates, which is ample for country boats with masts lowered, or for small launches, so that these could pass through the barrage at such seasons.

POSTAL CLERKS IN EACH POSTAL CIRCLE.

* 293.

Statement.

Circle.	Number of posts in the Lower Division clerical cadre on the Postal side of the Posts and Telegraphs Department on the 30th June, 1933.	Number of posts in the Upper Division clerical cadre on the Postal side of the Posts and Telegraphs Department, converted into the Lower Division up to 30th June, 1933.	Number of posts in the Lower Division clerical cadre held by promoted postmen on the 30th June, 1933.
Bengal and Assam . .	984	265	824
Bihar and Orissa . .	344	102	232
Bombay	545	305	305
Burma	311	170	129
Central	427	219	267
Madras	458	273	234
Punjab and N. W. F. . .	401†	121†	341
United Provinces . .	482	172	370
Sind and Baluchistan . .	72	24	48

†The corresponding figures in these two columns for the period up to 31st December, 1932, are 417 and 110 respectively, and not 409 and 118 as stated in the statement laid on the table on the 5th September, 1933. The decrease in the total number of Lower Division posts during the period of six months from January, to June, 1933, is due to the fact that 28 posts of Branch Postmasters, Overseers, etc., were abolished and 11 posts of Lower Division clerks were re-converted into the Upper Division while only 23 Upper Division posts were converted into the Lower Division during that period.

Mr. H. A. F. Metcalfe (Foreign Secretary): Sir, I lay on the table the information promised in reply to starred question No. 1033 asked by Mr. Gaya Prasad Singh on the 20th September, 1933.

MUNICIPAL ADMINISTRATION OF AJMER CITY.

*1033. (a) Yes.

(b) A committee has been appointed by the Honourable the Chief Commissioner of Ajmer-Merwara to enquire into the affairs of the Ajmer Municipality. The enquiry commenced on the 25th November, 1933.

Mr. G. R. F. Tottenham (Army Secretary) Sir, I lay on the table the information promised in reply to unstarred questions Nos. 268, 269 and 270 asked by Mr. M. Maswood Ahmad on the 11th December, 1933.

CLERKS IN THE CLOTHING FACTORY, SHAHJAHANPUR.

268.

Statement.

—	Office.	Total No. of clerks.	Number of Muslims.
(a) and (b) . .	Main Office . .	16	2
	Provision Office .	10	1
	Production Office .	24	9
(c)	1930-31	34 per cent.	
	1931-32	30	„
	1932-33	27	„

CLERKS DISCHARGED IN THE CLOTHING FACTORY, SHAHJAHANPUR.

269. (a) 2.

(b) 3.

CLERKS APPOINTED, RE-INSTATED OR RE-ENGAGED IN THE CLOTHING FACTORY, SHAHJAHANPUR.

270. None.

Mr. G. S. Bajpai (Secretary, Department of Education, Health and Lands): Sir, I lay on the table:

- (i) the information promised in reply to starred question No. 1245 asked by Kunwar Haji Ismail Ali Khan on the 1st December, 1933; and
- (ii) the information promised in reply to starred question No. 1246 asked by Kunwar Haji Ismail Ali Khan on the 1st December, 1933.

BAD CONDITION OF THE ROAD OUTSIDE TURKMAN GATE, DELHI.

*1245. (a) This road like other roads situated in Delhi was damaged by abnormal rainfall during the last monsoon.

(b) The road is metalled, but admittedly dusty.

(c) This road is not much used by wheeled traffic although it is important in that it connects Old and New Delhi.

(d) It has been decided that this road and the land surrounding it will shortly be transferred by the Delhi Municipal Committee to the New Delhi Municipal Committee. Repairs to the road and schemes to improve the locality generally will then be the concern of the New Delhi Municipality. The whole matter is already under the consideration of the Chief Commissioner, Delhi, whose attention has been drawn to the desirability of early action.

INSANITARY CONDITION OF THE AREA OUTSIDE TURKMAN GATE, DELHI.

*1246. (a), (b) and (c). The Honourable Member is referred to the information laid on the table of the Legislative Assembly in reply to his starred question No. 1245 on the subject.

Mr. P. R. Rau (Financial Commissioner, Railways): Sir, I lay on the table the information promised in reply to questions Nos. 566 and 567 asked by Mr. Muhammad Azhar Ali on the 4th September, 1933.

ABOLITION OF THE POST OF DISTRICT MEDICAL OFFICER ON THE ROHILKUND AND KUMAON RAILWAY.

*566. (a) The Agent, Rohilkund and Kumaon Railway reports that Civil Surgeon, Bareilly used to be paid an allowance by the Railway but with the expansion of the Railway Medical Department of the Rohilkund and Kumaon Railway it was not considered necessary to retain his services any longer and they have accordingly been dispensed with.

(b) The Rohilkund and Kumaon Railway Administration is not responsible for providing medical facilities for the general public, but so far as the Rohilkund and Kumaon Railway staff at Bareilly are concerned they are attended to by the Railway Medical Officer stationed at Izatnagar.

HALF PAY GIVEN TO THE ROHILKUND AND KUMAON RAILWAY EMPLOYEES ON SICK LIST.

*567. (i) The Agent, Rohilkund and Kumaon Railway reports that under the Rohilkund and Kumaon Railway leave rules subordinate employees on duly certified sickness may be granted leave —

- (a) up to one month at a time on full pay;
- (b) up to six months at a time on half pay;
- (c) up to three months at a time, one month on full pay and two months on half pay.

Hospital leave on full or half pay and special disability leave on half pay not debitable to the leave account may also be granted under certain circumstances.

(ii) The Agent, Rohilkund and Kumaon Railway reports that running staff are allowed a fixed percentage (50 per cent.) of pay for the purposes of calculation of leave allowances which represents their mileage and overtime allowances.

MESSAGE FROM THE COUNCIL OF STATE.

Secretary of the Assembly: Sir, the following Message has been received from the Council of State:

"I am directed to inform you that the Council of State has, at its meeting held on the 16th December 1933, agreed without any amendments to the Bill further to amend the Indian Tariff Act, 1894, the Indian Finance Act, 1931, and the Sea Customs Act, 1878, for certain purposes, which was passed by the Legislative Assembly, at its meeting held on the 12th December, 1933."

THE RESERVE BANK OF INDIA BILL.

Mr. President (The Honourable Sir Shanmukham Chetty): The House will now resume consideration of clauses 4C and 41 of the Reserve Bank of India Bill and the amendments moved thereon.

Sir Leslie Hudson (Bombay: European): Sir, I oppose this amendment and all the other amendments. Before developing my argument, I should like to refute statements of the kind that have recently come to my ears that the European Group is in the pocket of the Government or, at any rate, in that of the Finance Member. Nothing is farther from the truth.

An Honourable Member: It is the other way.

Sir Leslie Hudson: The European Group stands for stable government, for security and stability generally, and when my Honourable friends on my right occupy the benches on my left, they may feel assured that in any measure which, in our opinion, makes for stable government and security and for the benefit of India as a whole, that Government will have our support.

With regard to the issue now before the House, I will, at the outset, at the risk of being accused of repetition of matter already in its knowledge, read from paragraphs 19 and 20 of the London Committee's Report on the Bill certain passages which have an immediate bearing on the clauses of the Bill now before the House.

Paragraph 19 reads:

"The questions which arise in connection with the exchange obligations to be imposed on the Bank present special difficulty in existing circumstances. In the prevalent state of monetary disorganisation throughout the world, it is impossible to incorporate in the Bill provisions which would necessarily be suitable when monetary systems generally have been re-cast and stabilised. In these circumstances we consider that the only sound course for India is to remain on the sterling standard. On this basis the exchange obligations incorporated in the Bill must necessarily be in accord with the rupee-sterling ratio existing at the time when the Bill is introduced. This statement does not, however, imply any expression of opinion on the part of the Committee on the merits or demerits of the present ratio. The ratio provisions in the Bill are designed to make it clear that there will not be any change in the *de facto* situation by the mere coming into operation of the Reserve Bank Act.

A considerable majority of the Indian delegates feel it their duty to record their view that a suitable exchange ratio is one of the essential factors for the successful working of the Reserve Bank. They point out that considerable changes have occurred in the currency bases and policies of almost all the countries of the world in the last few years. In their view it is for the Government of India and the Legislature to examine these and all other relevant considerations with a view to ensuring that the minimum possible strain is placed on the currency system of India.

We are all agreed that it should, in any case, be made clear in the Preamble that the whole question of the monetary standard best suited to India will have to be reviewed when the international monetary position has clarified itself and become sufficiently stable to make it possible to frame more permanent provisions.

20. It will be necessary in the Bill to provide limits to the range of exchange fluctuations by prescribing upper and lower points at which the Bank will be required to buy and sell on demand sterling for immediate delivery. According to the practice now prevailing upper and lower points have in fact been retained as though the

[Sir Leslie Hudson.]

rupee was still on a gold basis. As the fixing of new points would in any case have to be on an arbitrary basis, we recommend that this practice, to which the public have become accustomed, should be continued."

This report was issued over the signatures of amongst others the following Honourable Members of this House, Mr. Anklesaria, Sir Cowasji Jehangir, Mr. Mody, Diwan Bahadur A. Ramaswami Mudaliar, Sir George Schuster and Mr. Yamin Khan. I have given the names in their alphabetical order

Mr. H. P. Mody (Bombay Millowners' Association: Indian Commerce): Not in the order of their importance?

Sir Leslie Hudson: and Mr. Biswas also, and the House need have no doubt that those signatures were appended after careful consideration of every aspect of the situation. It is obvious from their very wording that those clauses were the result of a compromise to which all the signatories were parties. May I ask those Honourable Members whom I have quoted whether that is not a true statement of facts? Assuming, as I must, that they will honour their signatures, may I further ask Sir Cowasji Jehangir and Mr. Mody how they justify the position which they are taking up as the chief supporters of Mr. Sarma's amendment. How can they justify their present position? Have they not agreed that India should remain linked to sterling, that the exchange obligations in the Bill must be in accord with the rupee sterling ratio existing at the time the Bill is introduced? Have they not agreed in clause 20 that it is necessary in the Bill to prescribe upper and lower points at which the Bank will have to buy and sell sterling? I shall be referring to that point later.

Let me now take Mr. Sarma's amendments in which he asks that the rate at which Government shall buy and sell gold or sterling shall be that which is in force on the day prior to the coming into force of the Reserve Bank Bill. I maintain that this will throw open a wide field of speculation to a market sensitive to every breath of rumour or suspicion. Why! Only last week, the dissemination, no doubt by interested parties, of an absolutely baseless statement that a compromise had been agreed to by Government on these clauses resulted in an immediate fall of two to three points in $3\frac{1}{2}$ per cent. paper. This means that there was an immediate flight from the rupee to sterling. Is it for nothing that those persons who view the stability of exchange as an absolute necessity demand that such possibilities should, so far as possible, be removed? Mr. Sarma's amendments do not very cleverly conceal the real intention of the Mover. Those intentions obviously are to achieve, by indirect means, such uncertain conditions as may force down the ratio to 1s. 4d. in the period intervening between the passing of this Bill and of its coming into force or, at any rate, the coming into force of these particular sections. That is the fundamental weakness of this amendment. It opens the door to a flood of speculation right up to the time of the notification by the Governor General, which date will be intelligently anticipated, with the object of forcing upon Government an alteration of the rate by unnatural means. If world conditions are such that a lower rate is necessary in the interests of India then that will come about by natural and normal means.

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): What are "normal means"?

Sir Leslie Hudson: Sir, did my Honourable friends, Sir Cowasji Jehangir and Mr. Mody and the other Members of this Honourable House, who signed the London report, have a mental reservation in contemplation, when they signed that report

Diwan Bahadur A. Ramaswami Mudaliar (Madras City: Non-Muhammandan Urban): No, no.

Sir Leslie Hudson: I am glad to hear that. I should like to have greater regard for their signatures to a document of such importance than to believe that to have been the case.

Mr. Sarma and Mr. Ramsay Scott in their speeches charged the Finance Member with inconsistency and false representation in his statement that he had no intention of altering the existing law. Those accusations are incorrect and can be put down to ignorance only. (Hear, hear.) Let me read paragraph 20 again:

"It will be necessary in the Bill to provide limits to the rate of exchange fluctuations by prescribing upper and lower points at which the Bank will be required to buy and sell on demand sterling for immediate delivery."

Where is the inconsistency of the Finance Member in embodying the agreement reached in London in clause 41 of the Bill? I ask, is it honest to accuse the Finance Member of false representations? It may be politics, but I maintain it is not honest.

Sir, those only are really honest amendments to this clause which press for immediate devaluation of the rupee and who say so plainly. They at least have the merit of fair and aboveboard premises. Sir, I do not want to go into this in very great detail, but there are many objections to this course of devaluation. Firstly, the effect would be to arrest the hope for a rise of world prices. If Honourable Members will think it out, the result of a temporary increase in commodity prices in India—for it could only be temporary—would be to encourage an increased export of those commodities, which would in a very short time affect the already saturated world markets and bring about a further decline in those world prices, for, after all, the bulk of the commodities which India exports are subject to competition with supplies from elsewhere and are, therefore, subject to world prices. Then, it would mean the export of capital from India. I have already quoted the instance which occurred last week of the rush to convert rupee holdings of securities into sterling. Is that going to be a good thing for India? It would involve increased exports of gold. We have heard a great deal in this House about the export of gold. Gold is every bit as much a commodity now-a-days as wheat or cotton, and the astute dealers of India will not be slow to take advantage of what they will at once realise to be only a temporary gain. Then, devaluation will mean the upsetting of the balance of prices and wages. Every person who is on a wage-earning basis in India will be affected by the rise of the internal prices of foodstuffs, which the supporters of this policy of devaluation proclaim to be inevitable and which is their stated aim and object in endeavouring to get the rupee devalued. I hope the vast number of wage-earners in India will take a careful note of this point. Those, who have had to suffer under cuts of pay as a result of all sorts of retrenchment schemes, would not relish finding the purchasing power of their wages and salaries further diminished by 12½ per cent.

[Sir Leslie Hudson.]

Then it would injure the agricultural community and not aid it. (*An Honourable Member*: "How?") I will try to explain. The upsetting of the stability of exchange and of prices will not correspondingly benefit agriculture. Any increase—and I consider that any increase, under present conditions, is entirely theoretical and problematical—will not benefit the ryot, for the exporter and the middleman will get it all. (*An Honourable Member*: "How do you make that out?") The ryot will get no increase in the rupees he gets for his produce. May I quote from a recent article in the *London Times*?

"Today, with the restrictions which are in force on every side, the effect of the foreign exchanges on internal prices is even fainter. A rise or fall in the internal price level of a country does not necessarily cause the exchange value of its currency to fall or rise accordingly. Still less does a variation artificially produced in the foreign exchanges necessarily lead to a corresponding change in the internal price level. To attempt to raise your internal price level by manipulating the foreign exchange is almost like trying to produce lightning by imitating the noise of the thunderstorm."

(Hear, hear.)

Lastly, Sir, such a procedure would worsen the Government of India's Budget by at least five crores; and I cannot believe that the windfall, Mr. Ramsay Scott referred to, will cover that deficiency in addition to the falling off in customs duties which we are led to believe will amount this year to at least a similar sum. This could only mean further taxation and a heavier burden on the already groaning tax-payer. So, Sir, I come to my conclusions and I will state them as briefly as I can.

Firstly, the London Committee Report represented a compromise which should in common honesty be honoured, particularly by those Members of the House who are jointly responsible for it. Secondly, the door is still left open for the re-examination of the ratio when International monetary conditions settle down. I do not think the Mover of the amendment referred to this. It would not, of course, help his argument, but it is a fact and it was part and parcel of the London Committee's report. Finally, we have been told by the Finance Member that it was on the strength of this compromise which was arrived at in London over the Preamble and paragraphs 19 and 20 that the Government of India brought forward the Reserve Bank Bill as the corner-stone of that building of Indian finance and credit for the future which this House for so many weeks has been endeavouring to perfect. If that agreement and that understanding are broken and flung away, the consequences will not be the fault of the Government, but of those leaders in this House and elsewhere who are going back on their signatures.

Mr. H. P. Mody: Mr. President, I almost feel like apologising to the House for inflicting myself upon it. Being an active party to the London agreements and finding that the Select Committee had actually improved upon them, I imposed upon myself a self-denying ordinance, and in spite of being in a somewhat questionable and infectious neighbourhood, I held my tongue. The issue, however, which is now before the House is of such importance that I am compelled to break my fast, and if, on this occasion, I speak at greater length than I usually do, I hope the House will not understand that I am trying to make up for lost opportunities, but that the importance of the subject demands it.

Sir, in the first place, before I deal with the amendment, I would like to say something about the ratio. I might at one time have felt some doubt about the propriety of dealing with the subject at length, but with

the example set by my friend, Sir Leslie Hudson, those doubts have been removed, and I feel that I can, with equal confidence, put the other point of view forward before this House. What is the position with regard to the ratio? I ask my friend, Sir Leslie Hudson, and those who think with him, whether there is any important section of the commercial or industrial community in this country which thinks that this ratio is the right ratio for India. It is not, as in the matter of tariffs, for instance, a case of one section being against another: it is a case of all the economic, industrial, commercial and agricultural interests being banded together in condemning the currency policy of Government. And, what is a great deal more, the responsible leaders of the British commercial community in India are veering round to that point of view which has been put forward repeatedly in the Press and on the platform for the last six years. If I was permitted to do so, I could name a good few people whom my friends on the European Group Bench would pay the utmost respect to, who are of the definite opinion that a devaluation in the interests of the country is immediately called for.

Sir, this ratio has been wrong *ab initio*. It was forced down the throat of an unwilling and protesting India by Sir Basil Blackett with the force of the majority that is always at the back of Government. The outstanding reason for perpetuating this ratio by putting it on the Statute-book was that it was the *de facto* ratio at that time. It would take me into great depths if I were to try and place before the House the point of view which was put forward in this Legislature when the unhappy ratio was placed on the Statute-book. But I would only like to say one thing, and that is that India alone, of all the major countries, finds her currency appreciated compared to pre-war conditions. I shall give a very few figures, and I shall pick out only those currencies which have depreciated to an abnormal extent; but if you take the whole world, I doubt if there is any major country which has not devaluated its currency, whether to a larger or smaller extent. The Belgian currency today is 22 per cent. of its pre-war value, France 31 per cent., Italy 42 per cent., and Japan 59 per cent. Now, I want to know why should India, of all countries, be singled out for special treatment? We know that a great many things which are happening in the world outside and which have commended themselves to advanced opinion throughout the world are not regarded as good enough for India, because India is supposed to be a very peculiar country, but it is singularly unfortunate that, in the matter of currency, India should be regarded as something altogether apart. You will remember that this Statutory provision for 1s. 6d. ratio followed very closely upon the heels of Great Britain returning to the gold standard under the influence of Mr. Churchill. How has that policy helped Great Britain, the most powerful economic unit in the whole world? There have not been wanting economists of International repute who have condemned that return to gold standard at the pre-war parity, and who predicted disaster to Great Britain; and what has happened? After a few years struggle, during which her commerce and her economic position in the world suffered to a very considerable extent, Great Britain was pushed off the gold standard. Well, if Great Britain, with all her immense resources, could not stand up against a mistaken currency policy, does it not argue that a similar policy was a great mistake for India as well?

Sir, the case for the ratio, apart from how it came to be put on the Statute-book, is very simple. First and foremost, we demand a lower

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ratio for the agricultural interests. It is a truism to say that India lives on its agriculture, and if there is one section of the community which would be primarily benefited by a lower rupee, it will be the agricultural community. Of course, attempts are being made in various parts of the country to set up one province against another, and one interest against another, but the opinion is general that it is agriculture primarily which will benefit by a devaluated rupee.

The Honourable Sir George Schuster (Finance Member): Is my Honourable friend speaking on his own amendment or on the amendment of Shaikh Sadiq Hasan?

Mr. H. P. Mody: I am sorry I could not follow my Honourable friend.

The Honourable Sir George Schuster: I would like to ask my Honourable friend whether he is supporting his own amendment which has been moved by Mr. Sarma or whether he is supporting the amendment to devalue the rupee?

Mr. H. P. Mody: If my Honourable friend has a little patience—I had a great deal of patience with him—he will know exactly what I am leading up to. I promise him that when I develop my arguments, he will find the relevance of my statements.

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): May I ask the Honourable the Finance Member whom Sir Leslie Hudson was supporting? Was it Government that he was supporting?

The Honourable Sir George Schuster: He was opposing all the amendments.

Sir Cowasji Jehangir: His speech was the speech of the Honourable the Finance Member.

The Honourable Sir George Schuster: Not at all: I have got quite different things to say.

Mr. H. P. Mody: In support of what I was saying, I would like to give the House a few figures of price indices in some of the major countries of the world. Since September, 1929, up to March, 1933, the United Kingdom price level came down by 28 per cent., the United States 37 per cent., France 36 per cent., Canada 34 per cent., Australia 28 per cent., Japan 17 per cent., and India 43 per cent. The thing that is to be particularly noted in this connection is that, while the price level of exported articles fell something like 50 per cent., the price level of imported articles fell by only 27 per cent. Let me read something in this connection from the report of the Economic Intelligence Service of the League of Nations:

"The agriculturists have been affected with special severity by the fall in prices as the goods they sell have fallen more in price than the goods they buy. The terms of trade have turned sharply against States exporting crude foodstuffs and raw materials and importing finished products."

I am giving, for the benefit of my Honourable friends who represent agricultural interests, a few figures connected with the major crops of India. I find that wheat in one year has dropped from Rs. 5-5-6 to Rs. 4-6-6, castor seed from Rs. 6-9-0 to Rs. 5-4-6, cotton seed from Rs. 4-5-6

to Rs. 2-8-6 and ground-nuts from Rs. 8-0-0 to Rs. 5-7-0. I hope I have said enough to show that Indian agricultural interests have suffered enormously, have suffered out of all comparison by the over-valuation of the rupee. It has been said, it is all very well for Members of this House standing up for agricultural interests, but what about the other classes of the community, and if I remember aright, the Honourable the Finance Member said that it takes many classes to make a country. Quite true, but after all, when you have many classes making a community, it is always a striking of balance between the various communities, and if a balance is to be struck, in whose favour would you weigh it? I do not think even we, who are supposed to be hard-hearted capitalists and industrialists will have any hesitation in saying that if the balance is to be struck, it must be in favour of agricultural interests. In connection with this, let me read something from a document which is issued under the auspices of the Government of India, namely, "India in 1931-32", laid on the table of the House of Commons. I read two extracts:

"India's whole economic position may be said to depend upon the prices obtained for the exportable surplus of her staple crops. . . . The Indian producer received Rs. 65 crores less for his exportable surplus than in the previous year whereas his expenses remained much the same, especially in the case of the agriculturist, and the price of the imported manufactured articles which he required did not fall to the same extent."

Another quotation, again, from an official publication "The Review of the Trade of India, 1932-33":

"India, it may once again be mentioned, is mainly an agricultural country and it has been shown above that the prices of agricultural commodities have fallen to a much larger extent than those of manufactured goods. This great fall in the prices of agricultural goods has affected India's national income which has shrunk considerably as a result."

Then, figures are given which go to show that the total production of the principal crops has dwindled in value from over 1,000 crores in 1928-29 to 500 odd crores in 1931-32.

The question arises, why should we not in this matter follow the example of other countries? Amongst the countries which devaluated their currency in recent times are Australia, New Zealand and Denmark. I have before me the monthly review of one of the Big Five in England, namely, the Midland Bank. Dealing with Australia, this review says:

"These measures contributed in varying degrees to the recuperation which began two years ago, but it is beyond doubt that Australia's task was facilitated by the depreciation of the pound sterling in terms of gold and the inauguration here of a more liberal monetary policy than could have been pursued while we remained on the gold standard. Primary commodity prices in Australia have risen substantially until in August last the index number was well above the level of a year ago and slightly higher than the average for 1931. The effect on the budget and on business conditions generally has been marked. The last financial year closed with a surplus, permitting the remission of part of the extra tax burden imposed in the years of stringency."

Dealing with New Zealand, the review says:

"Indeed, conditions did not begin definitely to mend until the current year, when the position of primary producers was eased, first by the depreciation of the New Zealand pound in terms of sterling to about the same level as the Australian, and secondly by the recovery in export prices. Between January, and August, 1933, the wholesale price index rose by about five per cent., mainly as the result of exchange depreciation."

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Finally about Denmark:

"The critical position of the agrarian population led to a further depreciation of the krone, in January last, to 22½ to the pound, as against the old parity of 18 1/8 and the new quotation has thereafter been steadily maintained. Since that time the wholesale price index has moved up to a level higher than that of a year or two years ago."

Sir, I will leave quotations alone, and shall ask a question. Supposing you are of the definite opinion that devaluation is a discredited experiment, that it is not likely to do India any good—my Honourable friend, Sir Leslie Hudson, just gave a few arguments in support of that view—are you or are you not going to devalue our currency as a measure of self-protection against the devaluation of other countries? After all, when the whole world is devaluating its currency, what is the use of your saying that India alone should remain firmly anchored to sterling at the same old ratio of 1s. 6d. Now I can understand that this sort of retaliation can be carried to excess. If you put up tariffs, every country does the same thing in self-defence, and so the vicious circle moves about. So with regard to the valuation of currency. But while the whole world is going ahead, I say, it would be foolish for India to stand still and say no, we will not do it, we will not venture into the realm of the unknown. It might be said, after all what do the agitators want? Have they not secured a very substantial devaluation in September, 1931? It is perfectly true that that has happened through our departure from the gold standard, but it must also be remembered at the same time that, on account of the rupee being linked with sterling which serves an enormous area throughout the world, the advantage to India is of a very limited character. It must be remembered in this connection that the identical position exists with regard to Empire countries, and the Empire countries have devaluated their currency apart from breaking away from gold, and, therefore, to the extent to which they have done this, the Empire countries in the markets of Great Britain enjoy a certain advantage over India. There is only one thing more to be said in this connection and that is that the price movements in the United Kingdom and India during the last year or two would repay study. They would show that while in the United Kingdom, as in other countries, the price level has moved up, so far as India is concerned, it has not moved up, and if it has moved, not to anything like the same extent.

Having said so much about the ratio, I should like to tell the House how it has been kept up. This ratio has been kept up by two things; first of all, an enormous contraction of the currency of the country, dislocating trade and industry, and keeping up a very high bank rate. My Honourable friend shakes his head. Of course I cannot contradict him on facts, but occasionally I might be so foolhardy as to even venture upon that. I say that currency was contracted to a very considerable extent. I remember, of course, what my Honourable friend said a short while ago, with regard to the volume of currency having kept level with the price levels in this country. But there is no doubt about it that side by side with this contraction of currency a very high bank rate existed, and while money was cheap in the markets of the world, India had to pay an enormous rate of interest, seven or eight per cent. It went up even to nine per cent. The effect upon the trade and industry of the country can well be imagined. Those conditions have changed and now we have gold exports, and well over 160 crores of gold have gone out of this country. Of course I admit that it is quite easy to say that this is all distress gold, just as easy as it is for my Honourable friends on the opposite Benches to say,

that it is all gold which was exported for profit. I am not suggesting anything. I only want to know from my Honourable friend how he can explain the fact that, with such enormous quantities of gold going out of the country and our still having an exportable surplus, though considerably shrunk, trade and industry have not benefited. I have an idea, Sir, without saying whether it is distress gold or not, that a good deal of it went in paying off obligations, in paying land revenue and in discharging other like obligations. In this connection, a financial paper to which my Honourable friend, the Finance Member, paid a handsome compliment a couple of years ago, I mean the *Indian Finance*, is said to have made an inquiry, and found that something like 90 per cent. of the gold was distress gold. I cannot say whether it is a correct conclusion to be drawn and whether the inquiry was of a sufficiently satisfactory character. All that I want to know is what inquiries have Government made? Are they in a position to tell us whether it is distress gold, or whether it is largely gold which is being taken out of the hoards which are supposed to be in this country and sold for profit? The question arises whether the Government of India have done wisely in ignoring altogether the opportunity presented to them for acquiring a part, at any rate, of this gold. The age-long complaint against India is that it is a sink of the precious metals. But when the sink threw up its precious contents to a very considerable extent (*Diwan Bahadur A. Ramaswami Mudaliar*: "When others were hoarding"), when others were hoarding, as my friend, the Diwan Bahadur, very rightly says, why was the opportunity thrown away? In this place, I would like to refer, if I may, to an observation made by my Honourable friend on Saturday last, in dealing with an amendment moved from the Government Benches,—I am sorry I was not here, but I have been told that my Honourable friend actually advanced this thesis—that gold was more speculative or more unreliable than sterling.

The Honourable Sir George Schuster: As a currency reserve for India which has its obligations in sterling.

Mr. H. P. Mody: What I was going to say was that I have very great respect for my Honourable friend, and, having that respect for his capacity and character, I can only come to two conclusions from that remark. Either my Honourable friend thought that anything would pass muster in this House and, therefore, it did not matter what he said, or being tired of listening to very dull speeches and sometimes making them himself he thought he would crack a little joke. (Laughter.)

The Honourable Sir George Schuster: The only conclusion that I can draw is that my Honourable friend has not understood my remark. (Laughter.)

Mr. H. P. Mody: As I had not heard the remarks myself, if I did not understand them, I would have some justification. But I might tell my Honourable friend that I heard this remark from many people, who were supposed to have a little intelligence, and they also misunderstood it in the same way. If there is anything wrong with the understanding of anybody, it must be wrong with their understanding, not mine.

Well, Sir, what I was going to say was that along with the rest of the unthinking world we have set up the idol of gold; and unless this idol comes to be disgraced and discredited throughout the world and broken up, we shall continue to offer *puja* to it.

[Mr. H. P. Mody.]

Coming to another point, what are Government doing in connection with the price level? The vehement agitation of six years has left them unmoved. The point of view from which that agitation has been conducted is that we want the prices of our commodities to go up. Supposing you do not agree with that prescription which we have put before you, what is your own prescription? Have you got anything in your own pharmacopœia to remedy the ills from which this country is suffering? The opinion is being increasingly held in responsible quarters that, after all, it is not the exchange value of currency which counts for so much as the stability of the internal price level. We want this stability of the internal price level. Sir Basil Blackett is one of the foremost exponents of this point of view; the Ottawa Conference and the World Economic Conference stressed the necessity of an improvement of the level of prices. I want to know what Government are doing in this connection. President Roosevelt ordered the World Economic Conference and said that he was not going in for stabilisation of the international monetary standard. He said, prices must improve in the country itself before there can be a general agreement among the nations in respect of a stable international monetary exchange; and he started upon a certain policy. I think the whole world more or less is looking aghast at the experiments which are being made in the United States. But, after all, something is being attempted, and it is something which is not altogether to be discredited. It has received the benediction of no less a competent critic than Sir Basil Blackett himself. It is rather an irony of fate that I should be quoting Sir Basil Blackett so often, the author of all this mischief (Laughter), but that only shows I am a fair-minded man! Now, Sir, I ask Government, what is their policy? It is true that they have provided cheap money and credit,—all credit to them. I shall be the last to detract from the value of my Honourable friend's work in that connection. But let it not be forgotten,—and many economists in Great Britain have pointed it out repeatedly,—what is cheap money and credit due to. It is due very largely to the simple fact that there is no avenue of employment of capital anywhere, and, therefore, all this money is flowing into the coffers of Government. Then there is another method by which Governments can help, and that is by starting public works. Certain countries are embarking upon that experiment. I am not in a position to say how far such expedients are justified, or whether they have met with success in any country. All that I can say is, here are various measures by which you can raise the country to something like the prosperity which it enjoyed before the slump came on. Which of these things are you tackling?

Mr. F. E. James (Madras: European): What about raising wages and shortening hours?

Mr. H. P. Mody: I will reply to that just now. In this connection I would like to urge upon my Honourable friend, if he is determined to do nothing at all, at any rate to set up as soon as he possibly can, an economic inquiry committee. Let the position of the country be examined. If this experiment of devaluation does not appeal to him, let him set up a committee which will come to certain definite conclusions, after due inquiry, as to what can be done to raise the price-level and how it can be best achieved. Have the Government taken any steps in this connection? It may be that no brilliant success has been achieved in any country in the world. The whole world is now groping in the dark; but we are not even

groping in the dark in this country, and we are doing nothing at all. Sir Basil Blackett—I may be forgiven for quoting him again—said in Malaya very recently that it was all very well to condemn experiments which were being made in other countries; but one cannot do anything by merely sitting back in one's arm chair. I urge very strongly upon my Honourable friend to move in the direction I have suggested. If he will not do anything with the currency, let him set up a committee which will go into the whole question, which will consider best how the level of prices can be raised, how this country can be put on a competitive level with other countries and how some approach to normality may be achieved in the course of the next few years.

I come now to the actual purpose which I have in making this speech, namely, to support the amendment which stands in the name of my friend, Mr. Sarma, and myself. I am unable to understand all this froth and foam about this amendment. It is perfectly true—and my speech was in the same tenor—it is perfectly true that we are all for a devaluated rupee, but we are not asking the Government by this amendment to devalue the rupee straightaway.

Mr. F. E. James: You want a blank cheque!

Mr. H. P. Mody: There is no blank cheque nor a filled one; any cheque that has come to us from the other side has always been dishonoured in some way. The other day the Associated Press sent out a message to the effect that there was a possibility of the Government coming to some sort of compromise over this question. I do not know why so much fuss was made over that message. After all, the news agency, when its attention was drawn to it, immediately contradicted it, and no great harm was done . .

Mr. S. C. Mitra: Speculation was done causing immense harm!

Mr. H. P. Mody: My friend, Mr. Mitra, says and I think my friend, Sir Leslie Hudson, also said, that there was speculation. As I have said in another place, we in Bombay and Calcutta do not want much encouragement for speculation! If my Honourable friend wants to know how many times during the last six years we have speculated upon the ratio going off, I can produce before him facts and figures within my own knowledge. A few months ago, tons of money went out of this country, because people felt that the ratio could not be held. After all, speculation can only be to a very limited extent: cash has to be produced in order that remittances may take place, and cash cannot be produced in any large quantities. But speculation is not induced merely by rumours that the ratio is going off: speculation is induced because there is a great deal of uncertainty in the public mind in regard to the holding capacity of this ratio; and so long as there is no public confidence in the ratio, so long as there is a large mass of responsible opinion in this country, both British and Indian, which thinks that this ratio is an ill-starred one, that it is not justified, and that it cannot be held except by bringing a convulsion upon this country, so long as the public believe on these lines, speculation will be there; and, therefore, it is idle to say that this amendment, if it is passed, would open the flood gates for speculation. I say, even if you defeat this amendment, within the next 12 or 18 months during which the Reserve Bank is being set up, there will be speculation every time it is felt that the ratio is tottering, or that the trade and industry of the country cannot any longer stand its ravages; therefore, Sir, do not push this argument of speculation too far—not at

[Mr. H. P. Mody:]

any rate to the extent of denying to this Legislature an opportunity of having a say with regard to what is the right policy for the country.

My friend, Sir Leslie Hudson, said: "What about Sir Cowasji Jehangir and Mr. Mody and other friends changing their attitude in this matter?" But, to what extent have we changed our attitude? If I remember aright, we distinctly said in London that it was for the Government and the Legislature to come to a right conclusion about the ratio. One of my Honourable friends put forward the proposition in London that the Legislature had no right to do anything with the ratio. I remember countering that immediately: the Legislature has every right: it is only a question of the propriety of seeking this particular Bill as an excuse for doing anything with the ratio

The Honourable Sir George Schuster: Which of your friends was it?

Mr. H. P. Mody: Does not my Honourable friend know?

The Honourable Sir George Schuster: No.

Mr. H. P. Mody: I think it was my friend, Sir Cowasji Jehangir, who said that the Legislature had no right to alter it . . .

Sir Cowasji Jehangir: I never said that: I think there is some confusion. I never said at any time that the Legislature had no right to change the ratio; what I did say was that just now the most advisable thing to do was for Government to change the ratio overnight and bring it to the Legislature at the very earliest opportunity for ratification. That is what I said and that is what I have repeated in this House over and over again.

Mr. H. P. Mody: But unfortunately Government do not do anything overnight

Mr. President (The Honourable Sir Shanmukham Chetty): The Legislature sits only in the day time! (Laughter.)

Mr. H. P. Mody: But surely sometimes my friends on the official Benches are awake even at night, and that they can, if they want to apply their minds to this question overnight, do so! To proceed, you say to the Legislature, "Hands off the ratio", if it wants immediate devaluation; even if it wants to consider it at some stage, you say the same thing. Then what I want to know is what is the remedy of this country?

An Honourable Member: Damnation!

Mr. H. P. Mody: I hope not. The only remedy left is a remedy which is most obnoxious to my Honourable friends on the official Benches, namely, agitation in the country. What else is left to us? Here is the ratio against which for six long years we have fought, a ratio which has brought untold harm to the country, a ratio which we feel Government should have changed long ago. The Government will do nothing. What else is left, I ask my Honourable friend, to us but to agitate against it? My Honourable friend fails to appreciate that in supporting this amendment, we are trying to meet the Government point of view

Mr. F. E. James: Why did you sign the report then?

Mr. H. P. Mody: My Honourable friend, Mr. Ramaswami Mudaliar, will answer that. We are trying to meet the Government point of view: all we ask is an opportunity for the Legislature to say at some time the country thinks about its currency. As every one knows, there were various occasions which were provided to the Government in all these years when they could have done something. Immediately before Great Britain was pushed off the gold standard, the difficulties of India became enormous. Surely, if Government had been alive to their responsibilities, it was open to them to do something in those days. Nothing was done. It was only when a sort of cataclysm took place in Great Britain that we also went off the gold standard. The Heavens did not fall then; nothing happened. Of course, there was some dislocation for the first few weeks, but that is always to be expected; beyond that nothing very serious happened. The point is that a Government which goes on neglecting opportunities which were presented so often and particularly when Great Britain went off the gold standard, how can we expect that Government to do anything unaided, so to speak, by the voice which is uttered in this House and outside? Everybody knows what the constitutional position is. We cannot do anything with the currency without the consent of the Governor General. Under the new dispensation, it is not going to be any different. It may even be a little more difficult. In what other manner can the Legislature ever have an opportunity to discuss the matter? Therefore, while it may be that my friends do not exactly like the form of agitation which is going on in the country, I submit, there is no other remedy left in the hands of the representatives of the commercial, industrial and agricultural classes than to go on agitating.

There is only one thing more I want to say. For the very unfortunate and anomalous position in which we find ourselves, there are obvious remedies in western countries. Governments which are found to be misplaced are immediately displaced. I do not know how or at what stage that very happy state of affairs will come about. I do not know when it will be, when my friend, Dr. Ziauddin Ahmad, will cross over to the Treasury Benches, and my friend, Sir George Schuster, will attack the Doctor's financial and currency policy. I do not know when my friend, Sir Frank Noyce, will be found occupying one of the non-official Benches and violently denouncing my friend, Mr. Joshi's labour and industrial policy. I do not know, Sir, when that happy day will come when my friend, Sir Joseph Bhoré, will get up in the seat which I occupy, and attack my tariff policy. Sir, with all these handicaps from which we suffer, what else can we be expected to do but to utilise every opportunity that we get for bringing home to Government the point of view of the representatives of the people. Take a classic example. In 1931, we threw out the whole special Budget. What happened? Nothing. Perhaps my friends were at one of those weekly Executive Dinners that very night. I do not know how they live these days, what standard they maintain, whether it is a Champagne or a Ginger Beer standard, but, at any rate, I am certain, whatever they were having in those days, they probably took an extra glass of, because they had at any rate got rid of us, even though in departing we had thrown out the whole Budget. That being the constitutional position, it is only by these opportunities, which are presented to us that we can make the voice of the country heard. I want again to impress upon my friend, the Finance Member, that this amendment does not seek to force the hands of the Government to immediately devalue the rupee. If they do it, of course we shall be only too

[Mr. H. P. Mody.]

happy. All that this amendment says is that if no devaluation of the currency takes place before the Reserve Bank comes into being, this Legislature should have an opportunity of pronouncing its verdict. That verdict, my friend should know, will not be lightly given; it will be supported by economic facts and figures which even the Government would not be able to refute. I repeat, it is a very unfortunate position that the House should be denied all opportunities of giving its verdict on this momentous issue. The Government must realise the fact that their currency policy has not satisfied any section of the public in this country, and the least they can do is to come to this House for fixing the upper and lower points, and thus enable it to present before the Government the view-point of the whole country.

Lala Rameshwar Prasad Bagla (Cities of the United Provinces: Non-Muhammadian Urban): Sir, in speaking on the amendments moved by my Honourable friend, Mr. R. S. Sarma, I wish to make my position clear at the very outset.

I come from a great industrial centre in which you have a unique phenomenon of the European and Indian business communities standing on a common platform, so far as the question of the depreciation of the currency is concerned. We wish to see the rupee devaluated at the earliest possible moment. We cannot agree with the Honourable the Finance Member when he says that the ratio is not part and parcel of the Reserve Bank proposal. We are definitely of the view that, as remittance operations of the Government will be conducted by the Reserve Bank and as the Bank will have to maintain the external parity of the rupee, the ratio is a factor of prime importance for the successful functioning of the Bank. We have not the slightest doubt in our mind that the pretext that the ratio does not arise on the present occasion is wrong and without foundation. We hold this view with a degree of unanimity which clearly shows that those Europeans, who are interested in productive enterprises in India, are bound to agree with the Indian opinion in this matter.

Holding this view, I am disappointed that the amendment of Mr. Sarma does not afford an immediate solution for the ratio problem. But I am glad to note that the passing of this amendment would mean that the Government would have to come to the Legislature at a very early date for the modification of the Currency Act with a view to establishing the upper point. That occasion will afford an opportunity for a full-dress debate on the ratio. It is in this hope and it is with this feeling that it is better late than never, that I support the amendment.

As Mr. Sarma has made it clear, it is the Government that should be grateful to him for having devised a formula which carries out the declared intentions and objectives of the Finance Member. Clauses 40 and 41, as they stand today, belie the assurance of Sir George Schuster. If his assurances mean anything and if they are given in all seriousness, I cannot understand why even to this simple measure the Government should raise an objection.

If a ratio referendum be taken amongst the members of the various Chambers of Commerce in India, Professors of Economics, Members of Central and Provincial Legislatures and leading public men, I have not the slightest doubt that the votes of the order of anything like 95 per cent. would be cast in favour of an immediate and substantial depreciation of the rupee. I understand that the *Indian Finance* is issuing a referendum in this matter

and, I am sure, that this should provide a final and conclusive testimony to the strength of feeling in the country.

Meantime there cannot be any doubt except to those who refuse to be convinced, that every section of the population, barring only an infinitesimal minority, is today persuaded that it is the ratio that has aggravated in a special degree the troubles and travails of India. It is true that there is depression in the other countries of the world. But despite the specious arguments of Sir George, I for one know that the depression in India has been of a particularly intensive character. It is the altogether devastating effects of 18*d.* that account for the extreme acuteness of economic distress in India. With a ratio on a more suitable basis, we would have been spared from the full wrath of the depression. With a revision of the ratio in proper time, we could even have managed to enjoy a measure of well-being during the period when the rest of the world was in the grip of serious and acute trouble.

India is a self-contained country in many ways. With a correct economic policy, it should be possible for India to be immune from the shocks of international finance. But India has never had a national economic policy. Nowhere have our authorities been more callous to Indian interests than in regard to ratio policy.

A two-shilling ratio was forced upon us in 1920 in the teeth of universal opposition. Crores of rupees were lost in the futile attempt to maintain an impossible ratio. Our thrice powerful Government could not maintain this ratio for more than six months in spite of the throwing of millions of gold and sterling securities into a bottomless pit. The Finance Member of that time threw up his hands in despair and said that he realised that he had not done what every one had been telling him.

I know sincere repentance is enough atonement for any crime. But do our authorities sincerely repent? They do not. For they, again in the same callous way and with the same indifference to the public opinion, foisted on us the 18*d.* ratio in 1926-27. Again, millions of sterling securities and gold were frittered. The country has parted with one hundred and fifty crores worth of gold, apart from what has been used up by the Government from their stocks of sterling securities.

If an economist were to make a careful study of the relevant statistics and a correct analysis of the facts and figures, it may well be that he finds that the efforts to maintain exchange at rates higher than the correct rate have cost this country an amount running into hundreds of crores.

This is how we feel on this matter. We have on every possible occasion indicated to the Government how we feel in this matter. If this is a responsible or responsive Government, could they have remained adamant and stubborn in spite of such strong and universal opinion from the Indian population? To say that the only wise men on the ratio question are in the Executive Government and that the Indian public do not understand what is good for themselves is an assumption which is not in accord with the experience that I have referred to, namely, the Finance Member throwing up his hands in despair and owning his defeat as regards the maintenance of the two-shilling ratio.

We know we are in the right. We equally know that the Government are in the wrong. But I must in despair confess that there is no machinery whereby we who are in the right can set right those who are in the wrong.

The Secretary of State and the Finance Member would be deluding themselves if they think that they can defy with impunity the Indian public

[Lala Rameshwar Prasad Bagla.]

opinion in this matter for long. This is the warning with which, Sir, I shall conclude my observations in supporting the amendment of Mr. Sarma.

Shaikh Sadiq Hasan (East Central Punjab: Muhammadan): Sir, the policy of stabilising the currency is a very laudable one, but the main point is whether the rupee should be stabilised at 1s. 6d. or at 1s. 4d. I would prefer much lower exchange in the interests of my country, but it is not possible as it is directly against the interests of England and British officials in India; so, as a compromise, I would suggest 1s. 4d.

It is a momentous question involving the prosperity or financial decay of India. So I would like to examine it most impartially. Before I discuss the question on its merits, I would like to say that all great Indian economists, business men and well wishers of India are of the opinion that devaluation of the rupee is essential in order to avert great economic losses and that the 1s. 6d. ratio is ruining the agricultural population and the industrial community of India. In this connection let us also see the tendency of the other countries in the world, whether they are overvaluing or devaluing their currency. I would content myself by giving examples of a few of the most important countries in the world which have depreciated their currencies. Take the case of France, a great Power and a wealthy nation. Before the War, there used to be 25 francs for a pound, now there are about 80 francs to the pound. The same is the case with Italy. The United States of America, although a creditor nation, has with great efforts devalued its dollar. Japan has also done the same. Take the case of British colonies like Australia and New Zealand, mainly agricultural and pastoral countries. They have also devalued their currencies by 25 per cent. I could quote also scores of examples of smaller countries like Austria, Turkey, and Egypt; all these countries have done the same. Do the Governments of these countries consist of fools? Even the Treasury Benches would agree that such is not the case, perhaps the House may think that if Governments which have and are deliberately reducing the value of their currencies are not foolish, do I insinuate that the Government of India are acting foolishly in this matter? No, Sir. I emphatically say "No". I consider that the Government of India are selfish, and that for their own sake and in the interests of England, they are acting against the best interests of India. Their masters in Whitehall expect it and they have to dance according to their tune.

Sir, efforts had been made by the Government of India, as far back as 1876, to raise the value of the rupee, and it has been gradually done by clever manipulations from 18d. to 16d., and then to 18d. In 1920, by a desperate effort the price of the rupee was raised to 2 shillings, and although India suffered heavy losses, what mattered it to the Treasury Benches? But, however, as the saying goes, it broke the camel's back, and we find that in 1923 the exchange was again at 1s. 4d. In 1927, a subservient House again fixed the exchange at 1s. 6d. The Government are always talking of the stability of the ratio, and I agree with them. But where was that question of stability when the rate was suddenly and artificially raised to 2s. for a rupee and even to 18d. which was brought about by manipulation by the Government of India? I do admit, the stability of ratio is essential, violent fluctuations would do harm to the trade of a country, but when the rupee has been over-valued by sheer

injustice of the Government of India, it would only be fair if the over-valued rupee is restored to its position of pre-war exchange and we are put on an equal footing to compete with other countries of the world which have depreciated their currencies.

Now, let me explain to the House who are benefited by the 1s. 6d. ratio, because there must be some potent reasons why the Government of India are so keen about it. Firstly, it benefits the English officials, high and low, in this country, because they get 12½ per cent. more when making remittances to England. Secondly, it helps English manufacturers who can successfully compete with Indian manufacturers. It helps companies sending dividends to England, and incidentally it also helps Indian capitalists and usurers. Government claim themselves to be the protectors of the dumb masses. How they can justify themselves in this role by helping the strong against the weak, the rich against the poor, passes my comprehension. Sir, another result of over-valuing the rupee is that imports are cheaper in terms of rupees, and Japan has dealt a very severe blow to Indian industries. It might be said, on the other hand, that every cultivator and labourer would be benefited by lower prices of foreign commodities, but the necessities of life of these poor people are so simple that these can be supplied in this country without being imported from foreign countries. In short high exchange is going to help India's creditors, Government's European civil servants and British industries and other foreign exporters at the expense of agriculturists who form the bulk of the population and the industrial community in India. Now, let us see who would be benefited if the rupee is depreciated and brought to its original position. First of all, agriculturists, who are the backbone of India. Without a prosperous peasantry, neither the Government can be rich nor the industries of India can thrive and, for the benefit of my zamindar friends, I will briefly explain how the 16d. ratio would help them. In these days of easy communications and transport, the world is one big market and India has to compete against Australian and Canadian wheat, American cotton and Australian and Argentine wool. So the prices paid in English sterling or American dollars would be competitive and we would not get more money in English currency or American dollars, but certainly with devalued currency would get more rupees, say, 12½ per cent. more which would ultimately go to the cultivator, than what we are getting now and as the prices of agricultural products would rise, so the peasants, after paying the heavy Government revenue, would have some money left to buy the Indian commodities and thus reduce unemployment in India. It would be killing two birds with one stone. The Government would be increasing the prosperity of cultivators and landowners and giving work to industrial labourers. In this connection I would say that the Government, despite their professions of looking after the interests of the masses, are doing nothing to help them. Sir, I am sure, with the depreciated rupee, India's export trade would revive. Your 18d. ratio has dealt a serious blow to indigenous industries and export of foods and raw products, such as rice, tea, oilseeds, cotton hides and skins and has resulted in serious diminution of our export trade. We have already lost more gold than was ever looted by ten Taimurs and Nadirshahs. By higher ratio you have already diminished the buying capacity of a cultivator. He is already ruined and can pay land revenue only with great difficulty. The Government also, by their selfish policy, increased the indebtedness of peasants and cultivators by 12½ per cent. and decreased the value of their

[Shaikh Sadiq Hasan.]

produce by the same percentage. The land settlements were made on the basis of 16d. for the rupee in the days when the prices of raw products were high. Is it just that you should ruin the peasantry by this device which also increases the indebtedness of the peasants and cultivators, and you are compelled to remit revenue. Past Governments used to take one-fourth of the produce of the land. Your Government take considerably more than that and leave very little to agriculturists. I challenge your supporters who own land to deny it. Some of them are supporting you in this matter and, for their own paltry benefits, they are sacrificing the interest of millions of their countrymen. I would urge you in the interests of India, which you profess to serve, to raise the buying power of agriculturists by changing the ratio and you would make the country prosperous, because rise in prices will stimulate trade and industry.

Sir, a word about industries. As an industrialist, I know how the high ratio has hit us. A few years ago, North Indian carpets and Persian carpets used to be sold on an average of 1½ dollars per sq. foot, *c.i.f.* New York. Now, while the Indian carpets, on account of cheapness of material, etc., can be sold at 1½ dollar per sq. foot, the Persian carpets, owing to depreciated tuman, are sold ¾ dollar per sq. foot *c.i.f.* New York and, despite the slump, U. S. A. still buy about 50 to 90 thousand sq. yards of Persian carpets monthly as compared to from nil to 500 sq. yards of North Indian carpets per month. The whole industry is practically destroyed and thousands of men are out of work on the other hand and there is absolutely no duty on Persian carpets by land route in India. Do you think a just Government would look with equanimity on such a state of affairs? As regards other industries, they are also, though not ruined, yet in a deplorable condition. One great way to help them is to protect them from depreciated currencies of other countries, especially of Japan which is smothering India. If you had the real interests of India at heart, you should make a law like Persians that no country can get payment in gold for its goods imported into India, but only can take in exchange commodities, foodstuffs and raw products from this country. It would be a complicated system, but the export trade would revive and the price of agricultural products would rise. India has been a great industrial country in the past, its teeming millions cannot be supported by agriculture alone, ways must be found to give employment to millions of the unemployed who leave the villages and keep on crowding the cities, thus growing a menace to the future Governments of India. The interests of England and India are not identical. England, being a manufacturing country, naturally wants to get raw materials and foodstuff at the cheapest price, but, on the other hand, the interests of India, chiefly an agricultural country, are to get more rupees for her products and also, in order to give employment to her teeming population, the imported goods should be more costly so that our industries may be revived which would give employment to starving millions. There is disastrous depression in the country. How are you fighting it except by inactivity? How can there be employment unless industries revive. If the country grows rich and the peasantry are prosperous, Government can get more money, but if the country grows poorer every day, where will the money come from to fill the coffers of Government? I again emphatically repeat, don't kill the goose that lays the golden eggs. Your very greed will be your undoing. It is a shame that an enlightened but autocratic Government like yours do not reflect

upon the terrible condition of the poor. Finally, I would say, if 18d. ratio is the price of the Reserve Bank, which is, after all, going to be under the control of the Governor General, it is too high a price. We will have a toy and lost the substance, the wealth and prosperity of the country. On the floor of this House, I accuse the Government of India and their satellites for not looking to the interests of India, but of England and their own, at the expense of the teeming millions of India. Sir, I will conclude by saying that if this Bill is once passed, it will be practically impossible to change the ratio afterwards, for, in future, changes in the currency policy will be decided by the British Parliament alone. Therefore, let all well-wishers of India join hands in overthrowing this iniquitous clause.

Mr. Lalchand Navarai (Sind: Non-Muhammadan Rural): Sir, I must at the outset express my regret that, on this important and very vital question which affects the whole country, the commercial, the agricultural and in fact all other sections of the peoples of India, there should be, in this House, at present, only a minimum of quorum to consider this question. Sir, this is a question on which the attendance in the House should be very strong. It is not a question affecting any particular community. It affects the entire country. Sir, you know how this question was voted upon in this House in 1927 and, even though the result was that the ratio was fixed by a majority of two members, yet the question has agitated the country so much that from all corners you hear the opinion of the people that the country is being ruined by this ratio. Therefore, I regret this thin attendance and I hope that better sense will prevail and that this question of the ratio will be considered in its true perspective. Sir, I am glad, however, to find that at least on this question there is no difference of opinion between this side and some of those in the European Group.

Sir, the Honourable Mr. Ramsay Scott has put his case quite clearly, and in that I am glad to notice that the opinion on the European side has also changed and that they do recognise that when they are in this country and are engaged in the export business, just as the Honourable Mr. Scott is doing in Cawnpore, this ratio is detrimental to the interests of all.

Sir, there are, I find, now three questions before the House. The first question is whether we should enact this law relating to the Reserve Bank by keeping and fixing the ratio at 1s. 6d. The second question is whether we should reduce it to 1s. 4d., on the ground that before it was made into 1s. 6d., the effects of 1s. 4d. were certainly better than have been the effects of 1s. 6d. Now, if there was the opinion of the country and of some experts, I would have said probably, "we will run the risk of bringing it down to 1s. 4d. but at present the third question which is before us is one which does not commit anybody, and that question is that the ratio should be fixed on the date prior to the day on which the Bill comes into force by the notification of the Governor General in Council. Sir, on that point, if the Government are not going to agree, I must say, with all respect to them, that the country will not be satisfied, and that as the country is at present suffering so much there will be a great volume of discontent which wise men should not allow to prevail in the country. With regard to this question, Sir, I do not think there is any controversy in the country now. Of course there was great controversy in 1927, but, since then, the opinion of the country has crystallised and the entire

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country has come to a particular conclusion as a result of experience. The conclusion of the country is, therefore, not the result of any fancies or whims. As a result of actual operation of the ratio during these six years, the country has come to the conclusion that the ratio of 1s. 6d. is harmful to the country. Therefore, we are not proceeding on assumptions. We are not proceeding on any presumptions, we are proceeding on solid facts, and I would ask the Government not to have this ratio fixed in this Reserve Bank Bill. I would again repeat, Sir, that I would have advocated the cause of 1s. 4d., but considering the opinion of the mercantile community and the agricultural community based on expert opinion, I hesitate, and it is, therefore, that I have risen now to support this amendment. I cannot for myself agree that the Government are correct in saying that they are not altering the law. There is no doubt about it, but they are doing it in a side-way, they are doing it in this Bill in such a way that it will amount to this. Suppose we pass this Bill now and the exchange rate comes to be fixed at 1s. 6d., in the Reserve Bank, then what will the country and people elsewhere say. They will say: "Look, here are people who objected to the 1s. 6d. ratio when the Bill of 1927 was on the anvil; now, they give sanction to it and admit that they were wrong then". Sir, it is more or less contrived to secure our sanction for 1s. 6d. which, I hope, no man, who has got any regard for his own country, will accord to.

Sir, there is another matter for which everybody, at least the Legislature, should be sorry and that is that while we come here to legislate, the Honourable the Finance Member from the very start begins to throw at our face the threat by saying that "if you do not agree to this ratio, this Bill will be withdrawn". Is that fair, I ask. Coming as we do to this House to legislate, our opinion should be unrestricted, and uninfluenced by any threat or any intimidation. For my part, I must say that I never fear such threats (Hear, hear); we know that we are quite used to such threats. I ask, should the Government come forward before us with that attitude. That is their bullying attitude in every important Bill, because they know very well that they are the masters of the situation. Supposing the Honourable the Finance Member was speaking in the British Parliament. Dare he get up and say such things in the British Parliament that if they were not going to pass this Bill, the Bill would be withdrawn? I do not think so. Therefore, we should not, on the ground of that threat alone, succumb; we must stick to our guns and do what the country wants. The question then arises, what is the implication of this threat that has been expressed in this House? To threaten that unless the Reserve Bank is established, you will not get Central responsibility! Sir, I myself am very pessimistic about getting that Central responsibility. You know, Sir, that this question of responsibility is not a new one. It has been raised since 1920 or 1921 and the promises that were given have not been complied with. Therefore, it is for a long time that we have been asking for this Central responsibility. I ask, if it has come now in the year 1933? At any rate, an instalment of the reform was overdue. Not only that instalment, but even the second instalment is just at a place where we should have got it. Therefore, do not be frightened by the threat that this Central responsibility will not be given to you. If it is to be given, it will be given by agitation. If it is to be given, it will be given, I daresay, by the will of the people of India. What do you see at present? Do you see that the Federal

responsibility is in your view? Gentlemen who went to England and for whom I have a great deal of respect gave their opinion according to their light. Even they do not expect that the Federal responsibility is coming to you soon. The very fact that the elections for this House at least will take place in 1934 clearly shows that the Federal responsibility is still far off in the minds of the British Government. I am even doubtful about the provincial autonomy, whether it is coming in 1935 or not. Therefore, do not be frightened by that threat. Coming to the subject under discussion, I would say, Sir, that the proper way for deciding this issue is to decide it by expert opinions in India and by the conditions which are now prevailing in India which will show how much depression there has been and how much the agriculturists and the industrialists have suffered and are suffering. Judge it from that point, and you will come to the conclusion that the rupee must be devaluated. On this point if I were to give my opinion and if I were to say that I have studied the literature on it, it may not be deemed to be sufficient, because I admit that I am neither a banker nor a commercial man. Therefore, it would be much better if I were to place before the House certain opinions of those persons whose opinions will have a great weight. If I do that, I think I would have done my duty of placing before the House the whole picture on this question of the ratio. I will, therefore, refer to certain quotations from those Associations and experts who have given their thought to it. I would, in the first place, take the opinion of Mr. Nalini Ranjan Sarkar, President of the Federation of the Indian Chambers of Commerce and Industries and a member of the Executive Committee of the Currency League of India. His opinion cannot be lightly thrown away. His opinion will convince the House that this question of the ratio which is being considered now by this amendment cannot be harmful in the interests of the country and, therefore, it should be tried. I know, Sir, that the Bombay millowners are always criticised, but we should be fair even to them, because we find that in this case the interests of the Bombay millowners and those of the agriculturists and consumers are all alike. Referring to these much maligned Bombay millowners, this is what Mr. Nalini Ranjan Sarkar has said:

"It is asserted that the move for the devaluation of rupee is being taken to give indirect protection to the Bombay millowners. The question naturally arises: why this singling out of the Bombay millowners alone? After all, any indirect protection given by devaluation will be shared by all millowners, be they in Bombay, Ahmedabad, Nagpur, Cawnpore or Bengal."

He further goes on to say:

"It will give protection not only to the millowners, but to all Indian manufacturers whose products have to face foreign competition wherever they may be situated. One could understand the meaning of the distinction if Bombay millowners were the only parties advocating devaluation. (*The House must pay attention to this that this is not the question of Bombay millowners only.*) But we all know that the millowners and manufacturers all over the country, irrespective of the province they come from, have with one voice demanded it year after year. The Federation of the Indian Chambers, consisting of varied Indian industrial and commercial interests, have passed unanimous resolutions condemning the over-valuation of the rupee. The press and the public have equally unanimously and persistently protested against it and emphasised the necessity of lowering the value of the rupee. In fact, in recent years, if there was a single economic question on which there was more or less complete unanimity in India, it was on the question of the over-valuation of the rupee."

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What I submit to the House is that here is an authority which has supported this question. (Dr. Ziauddin Ahmad: "What book are you reading from?") I am reading from the Currency League of India Bulletin No. 10, page 4.

Now, Sir, I come to the second question which is also placed before the House in this discussion. It is whether the devaluation of the rupee will really raise the price of the commodities in India. Sir, on that point, considering the present depression, we cannot be very optimistic, nor can we be very definite in giving a conclusive verdict, but we think that the conclusions of those gentlemen who have been dealing with this question should be respected.

Sir, at page 17 of the same pamphlet, the gentleman says:

"It has also been stated that, as a consequence of the devaluation, prices of agricultural commodities will not rise. That devaluation will not raise prices of agricultural commodities is as novel as it is contrary to all theory and practice. Devaluation must raise prices, other things being equal. The following figures will prove that it did raise prices in India.

Index of Prices.

	Jute Raw.	Manufactures.	Tea.	Rice. ₹
1931 June	45	67	64	74
„ July	44	65	72	76
„ August	46	68	65	76
„ September	51	69	63	73
„ October	62	80	68	77
„ November	60	83	75	76
„ December	58	87	68	78

It will be noted that immediately the Rupee was devaluated in terms of gold in September, 1931, prices rose. But the advantage has not been quite so well maintained just because, even though the Rupee was devaluated in relation to gold, it remained overvalued in relation to Sterling at 18s.

Then, on these two points, the opinion should be upheld and it should guide us in coming to certain conclusion. Then I would refer to the opinion of Sir Purshotamdas Thakurdas.

Mr. President (The Honourable Sir Shanmukham Chetty): Inordinate quotations are not allowed on the floor of the House. The Honourable Member cannot simply take certain publications and read them at length.

Mr. Lalchand Navalrai: If I do that, I will read the whole book, but I am reading only small portions and I hope I am entitled to give the opinion of other people before the House so that the House may decide which opinion it would follow. If the Chair so desires, I will simply say that Sir Purshotamdas Thakurdas has expressed similar opinion and it is a valuable opinion. We know that Sir Purshotamdas Thakurdas has

wide commercial and banking experience and his opinion is that the present exchange rate is harming the country. We must accept his opinion. Next, I will quote from what Karachi has said. For the information of those Honourable Members, who have not visited Sind, I can inform them that Sind with its Sukkur Barrage is much more an agricultural country as any other province. I hope the opinion of Sind will be considered to be of the same value as the opinion of other provinces. The Indian Association of Merchants at Karachi have passed a resolution to say that the ratio of 1s. 6d. is adverse to the commercial interests of Sind. Then I am glad to say that even some of the members of the European Chamber of Commerce of Karachi have given their opinion and I find the opinion of a well respected and important man like Sir Montagu Webb expressed thus:

"India has been forced to accept a wholly unjustifiable 1s. 6d. rupee."

—This is an opinion which is much more important than that of Mr. Ramsay Scott—

"Whilst her internal price level has been allowed to drop by 50 per cent. to the partial ruin of agriculture and industries and the very great inconvenience of Railways and Port Trusts and local bodies and Governments and of the Government of India itself, it is high time that sanity and fair play be re-established in India."

Sir, I think the Government should be sensible. He further says:

"The passage of clauses 40 and 41 of the Bill contemplates the rivetting of India's good silver rupee to England's uncertain paper pound at approximately 1s. 6d per pound at which rate the Banks will be compelled to buy and sell paper pound in unlimited quantities. These clauses must not be allowed to become law."

Now I will not refer to any further quotations, but I must inform the House that I am in possession of the views of the Marwari Chamber of Commerce and they also want the rejection of these clauses and they have explained their view point in the resolution which they have passed. I submit from the above views that it is quite plain that this question of ratio is justly exercising the minds of people and that Government ought not to be persistent, I will not say, obstinate, specially when we are not asking them to commit themselves on this point. I submit, this is the view of the whole of India. Even taking it broadly, considering it not from any scientific point of view or even a mathematical point of view, as my Honourable friend, Dr. Ziauddin Ahmad

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): I am not Honourable.

Mr. Lalchand Navalrai: Sir, in my estimation he is very honourable. I submit that when my Honourable friend has trained several students and turned out some economists in the field of education, his opinion is of great value. Sir, considering it broadly, the question of the exports of India is the first essential. No one will deny that when we

1 P.M. export certain things, we do not get as much as we ought to get, and for a pound we get only Rs. 13-8-0, but if we reduce the value of the sterling to 1s. 4d., we will get Rs. 15. So this shows that our exports are suffering. Then comes the question of imports. I want to be fair to the British people as well and I realise that, when their exports come to India, they also get Rs. 13-8-0. But are they gainers or are they losers? On the face of it, it seems they are losers in getting Rs. 13-8-0, for a pound,

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but when they will have a chance of sending more commodities to India they will get much more money if there is more purchasing power amongst the people. But, on account of this depression, the purchasing power of the people has tremendously gone down. Therefore, it is not the ratio which affects them; they must make India more prosperous so that people may have more purchasing power and then they will get more money. At present there is no sympathy for them and you see so much of Swadeshism and boycott, etc., in the country. If you always keep the ratio at 1s. 6d., you will never get the sympathies of the people and they will remain always against you. Therefore, you should realise that you want here a better market and a greater market than you have got now. I have been reading in these pamphlets that the British people are getting less value for their machinery on account of this ratio. But will the Finance Member or the Honourable Member for Industries and Labour find out if the machinery is being imported now to the same extent? Well, we do want their machinery, but if they devalue the price of the rupee, they can import more machinery. Therefore, considering it from any point of view, it is advantageous for Government and the British people to comply with the wishes of the people. There is an amendment that a Committee should be appointed. If they are not satisfied with that, we are offering a blank cheque that on a particular day the price of the sterling should be fixed. They should realise that this question of ratio is causing a good deal of agitation in the country.

There is one other point. I said that, on account of the diminished purchasing power of the Indian people, the imports of Britain were suffering. But there is another reason also for it and that is the competition of other countries with India. Japan has shown what she can do and we are getting Japanese things at ridiculous prices. In Chandni Chowk, Delhi, you find handkerchiefs selling at two pice each. That is because the Government in that country help the agriculturists and the manufacturers, devalue their currency and make it easy for things to be sold at a lower price and fight with the British lion. Of course I expect there will be better speakers than myself on this point. We sit behind those magnates of the front Benches who will present their case and I trust the House will be benefited by their observations. I believe there is full support for this amendment moved by my Honourable friend, Mr. Sarma. We generally know Mr. Sarma's extraordinary views, but on this question he thinks that this amendment should be accepted and I hope his Party will solidly support him as also this side and the European Group as well. I hope they will appreciate the views, which I have placed before them, of European gentlemen like Sir Montagu Webb and of others. I trust they will consider these and give their votes in favour of this amendment.

Kumar Gopika Romon Roy (Surnam Valley cum Shillong: Non-Muham-madan): Sir, it is of no interest to me nor it will be of any interest to my constituency if I discuss here the rights and privileges which exist between the two epithets, "Governor General at his discretion" and "Governor General in Council", because, these controversies improve matters very little. I find, when Indians go from these Benches to those Benches, i.e., the Treasury Benches, they turn more autocrats than the Europeans who usually adore those Benches,—so, why fight? Our fate is to find autocrat in the Treasury Benches, be he an Indian, or an European, and our turn is to bow before their wishes and commands with

smiling protest at times, if at all. So it is quite immaterial to us, the Indians, whether Governor General exercises his discretion at the dictation of the Whitehall or in consultation with his Indian Finance Ministers, as, in either case, it will be dictation from Whitehall. As soon as Indians will rise to the exalted position of the Financial Minister of His Excellency the Governor General, there will exist in him the most unperceptible line of demarcation between Whitehall of London and Whitehall of India (i.e., the Secretariat at Delhi). Hence, we the Indians have the lot of a cow; be it owned by the real owner or by a thief, the assimilation of grass is the only concern to a milch cow. Hence, the above controversy is of no interest to us, at least in my humble opinion.

Let us, Sir, just consider for a while how much substance we are going to get by this "Reserve Bank Bill". Let us examine for a while how much real benefit is being given by the "Reserve Bank Bill" to the Indians. Let us for a moment calmly consider what sort of country India is. What do we find in India? One part is the land-owner and the other part is the tenant. Let me, Sir, develop this point. Where is India's money growing? Is it growing in the Clive Street? Or is it growing from the smokes that flow through the chimneys of mills at Calcutta and Bombay? (*Honourable Members*: "No.") The reply must be and which I have received is "No". As I have said, let us consider for a moment what the chief resources which have stabilized the financial condition of India are. Can anyone deny that it is agriculture? (*Honourable Members*: "No.") Hence agriculturists must get preponderance over every thing. If agriculture goes, industry goes, commerce and trade tell a woeful tale and Government will not thrive in the funeral ashes of the agriculturists. (Hear, hear.) But what is this Reserve Bank Bill going to give to the agriculturists? A beggar's alm has been proposed through the medium of the so-called co-operative societies, which means that the agriculturists' lot will be in India what is called in English idiom—"From the frying pan into the fire". And I do not understand why a branch has not been suggested for purchasing the raw products of the country direct from the agriculturists. The agriculturists in that case would have obtained first-hand profit and would have been saved from the sixth-hand, seventh-hand and sometimes eighth-hand profits. Would that help in any way the "Reserve Bank"? No. Has the Honourable the Chancellor of the Indian Exchequer or the Right Honourable the Secretary of State for India at Whitehall ever laboured to enquire what percentage of interest these agriculturists are paying? (*Cries of "No" and "Yes"*.) Have they ever enquired how the bulk of the agricultural products are transferred from the hands of the agriculturists to the hands of the unscrupulous money-lenders? No. Has the Honourable the Chancellor of the Indian Exchequer ever dreamt of the 25 per cent. per mensem interest which the agriculturists do often pay to the unscrupulous money-lenders?

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member can resume after Lunch.

The Assembly then adjourned for Lunch till Two of the clock.

The Assembly re-assembled after Lunch at Two of the Clock.
Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

Kumar Gopika Ramon Roy: Has the Honourable Member ever given his thought as to how much relief is going to be extended to the huts and hamlets of the agriculturists?

Dr. Ziauddin Ahmad: No, he has never thought of it.

Kumar Gopika Romon Roy: If no direct relief is sought to be given to the agriculturists by this Bill, then this Bill is not for India, (Hear, hear), and we, rather I myself, as a representative of the agriculturists, have no concern with this Bill. It has no concern with the Indian Homes. It might have some concern with the millionaires and multi-millionaires who are eager to purchase 75 per cent. shares of the proposed "Reserve Bank". But, I have no interest, neither anyone who has surveyed the internal condition of the country will have any interest or anxiety for the purchase of such shares. Sir, not to speak of the villages, not to speak of the huts and hamlets of the agriculturists, I will cite a true picture in this town of Delhi, the metropolis of India. At the Chandni Chowk Bazar, I could not procure from as many as ten shops change for a ten rupee note last evening. What a hopeful and encouraging picture for the Honourable the Chancellor of the Indian Exchequer? You have now legislated that the Bank is not bound to give smaller coins.

Sir, we on this side of the House asked for a modest modification by a modest amendment that on the Directorate of the "Reserve Bank" there should be at least two Directors to represent agriculturists, but that amendment was negatived by the House. Perhaps my Honourable friends clean forgot the importance of the existence of the agriculturists in this country. Perhaps the Honourable Members opposite clean forgot the most important cause which led the Germans to be defeated in the Great War and which helped Britain to gain victory. Is it not ration? Is it not raw agricultural product? Could Britain stand on the resources of the Bank of England alone or they had to ask for the agricultural products of India and other agricultural countries in the British dominion? Then, why ignore them? Who stood by you in the days of your distress? Sir, I remember an utterance of Mr. Hezlett who was then the Deputy Commissioner of Sylhet. He went, during the time of the Great War, for inspecting the Bidyanagore Tea Estate of which I am the Proprietor. He said the greatest men were those who produced the raw products in the country. He is in this House as Government Whip today. I hope he will whip for the benefit of the growers in this ratio question.

As a province, Assam might have received some consideration, but His Excellency the Viceroy said the other day that she was the "Cinderella of all the provinces". Her claims have been ignored and we are not in the least surprised to find that there has not been dearth of such neglect in this Bill too, though the negligible amount of a crore and a quarter, year after year she is adding as "Petrol-duty" in the Central coffer, not to speak of income-tax and others. Still she is a "Cinderella". As for her financial condition, the less said the better.

Is it not a vain dream to fight for the purchase of 75 per cent. shares by Indians of this "Reserve Bank"? Be that as it may, if any Indian possesses enough money to purchase shares, let him be eager. As for myself I could pass over easily matters that have been discussed on the floor of this House up to last Saturday forenoon. But from the afternoon of Saturday, a vital question of India has been placed on the anvil of this House and that concerns me, my constituency and my Assam. Why only Assam? India at large.

Sir, it is now admitted by all that the principal cause of the great economic distress in the country is the very low level of prices obtaining for the primary agricultural products. In some cases they are so low, as not even to cover the cost of production. One of the causes for this low level of prices is the world economic depression, and the consequent inadequate demand for our exports. But in our case, it has been hundred-fold aggravated by the Government during the last few years.

The present problem in the country, in my humble opinion, is not very much over-production as under-consumption. That is why we notice starvation side by side with plenty. The reason is not far to seek. The agriculturists do not produce all the agricultural commodities they use. Some produce paddy, some ragi, some vegetables, some cotton, some groundnuts, some gingili, some turmeric, some tea, some chillies. But most produce children. (Laughter.)

The Honourable Sir Brojendra Mitter (Law Member): Please repeat the last sentence.

Kumar Gopika Romon Roy: Some produce children too. So the agriculturist and the children consume not only some of what he produces, but also some of what other agriculturists produce. In order to purchase his requirements of the agricultural produce of the other, he requires spare money just like what he was having, which agriculture was fairly paying.

Now, he could not spare money for buying the agricultural produce of others required for his family. Of course, he cannot completely give up such essential necessities of life. So he buys them to a much restricted extent and for that too, he has very often to borrow money wherever he could, as is apparent, from the alarming increase in rural indebtedness during the last few years, which is over 900 crores, eight times the Budget of the Government of India.

In addition to this difficulty, the agriculturists are feeling still a bigger difficulty in paying the land revenue. They are very much indebted, and whatever little money they get, they pay it either to money-lenders or landlords or Government. They themselves live on starvation diet. The land revenue was fixed in rupees on the understanding that the prices were high and would continue. The prices have now been reduced to half and it is fair that the land revenue should also be reduced to half; but this has not been the case. Consequently the agriculturists have to pay as land revenue much larger share of their produce and they themselves live on starvation.

What applies in this way to the producer of any particular agricultural produce equally applies to the producers of other agricultural commodities. Hence it is no wonder that there is marked underconsumption of agricultural products all round. That explains my story of seeming starvation in the midst of plenty. There is only one remedy to this alarming spectacle of starvation, distress and over-supply, and that is this: the agriculturists (the masses practically) should be enabled to consume more. This they can do only when their produce fetches better prices, and they are thus put in a position to spare more and more money to buy enough agricultural produce of others to meet the requirements of their family. To attain this very necessary object, there must come about a rise in the internal rupee prices of primary commodities. That could

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be brought about now only by devaluing the rupee. There is no other possible way to realise this at present. A lower exchange ratio will raise, the internal rupee prices and at the same time expand exports.

The price index has fallen by 14 per cent. compared with 1914. What does it mean? I will explain it for the benefit of the Members of this Assembly. It means that the wholesale prices of articles, which was Rs. 100 in 1914 has now been reduced to Rs. 86. Now, how can this be raised? Here I ask a problem and my friend, Dr. Ziauddin Ahmad, who has been solving many problems on the floor of this house, will solve one more for me. That is this: If the price has fallen from Rs. 100 to Rs. 86, in what manner can the ratio of the rupee be raised, so that it may become Rs. 100 again. I wait for a reply.

Dr. Ziauddin Ahmad: I am accustomed on the floor of the House to solve the problem of the horse—if a four-year horse costs Rs. 100, what would be its price when it is 24 years old. But I think the most competent person to solve the question is Mr. Ayangar. He solves the problem,—if eight persons are speaking at 8 o'clock, how many persons will be speaking at 10 o'clock? The problem may be referred to him.

Kumar Gopika Romon Roy: He either evades the reply or he has not understood it, and for his benefit, I repeat my question again in other words and I now hope that other Members will help to find an answer. I put a question of Double Rule of Three. If the index of wholesale prices at present is Rs. 86 when the rupee is equal to 1s. 6d., what should be the value of the rupee in order that the price may be Rs. 100? I know also enough mathematics. The answer is about 1s. 4d. We have, therefore, come to the conclusion that to raise the prices to the level of the prices in 1914, the ratio should immediately be lowered from 1s. 6d. to 1s. 4d.

Sir, the lowering of prices is due to two factors:

- (i) the world-wide depression, and
- (ii) the monetary policy of the Government.

We alone can not solve the problem of world-wide depreciation without the assistance of other nations. But, so far as such portion of the depreciation of the price of commodities as is caused by the higher value of our rupee is concerned, it is under our control and can be rectified at any moment, provided, of course, the Right Honourable the Secretary of State for India, who has a final voice in these matters, leaves the Government of India alone. He should be brought round to appreciate the real plight of the country and decide the matter in the true interests of this country and its vast helpless and suffering millions. Even the little rise in the price of our primary products resulting from the devaluation of the rupee to its proper and natural level will be a great relief and encouragement to our agriculture and industries. And any improvement in the agriculture and industries of the country will, of course, not only bring more employment and better wages to our labouring classes, in-

identally enhancing their consuming power, but will also much benefit the revenues of the Government and their budgetary position apart from its good effect on the railway earnings.

It must also be remembered that the harm done to India by the over-valued rupee is independent of the present world depression. Even when the world countries recover from this slump, the higher ratio would continue to be a handicap to us in our competition. The higher ratio is the principal cause of export of gold. It is beautifully illustrated in a sketch before me. In this diagram, India is being ground in the mill of 1s. 6d. and the flow of gold is in the mouth of John Bull. I need not say who John Bull is. I say, how long this grinding will go on. John Bull has already swallowed our gold amounting to 160 crores. Still he is dissatisfied. He wishes to swallow gold and then swallow us too.

Sir, I very strongly support that the ratio should immediately be lowered to 1s. 4d. We have suffered a great deal and we cannot afford to suffer longer. Even 1s. 4d. is too high for us.

In conclusion, I have got an appeal to make to the Chancellor of the Indian Exchequer. I remember that during the Governor Generalship of Lord Canning, there was an order from Whitehall that during the mutiny a wholesale massacre should be ordered in India. Lord Canning spent a sleepless night over the order and withheld the order and he was therefore, called "Clemency Canning". Sir Basil Blackett has passed order for a wholesale massacre in India by raising the ratio from 1s. 4d. to 1s. 6d. and some Members of the House have told me that Sir George Schuster is on the eve of his retirement, and I hope he will earn the name of "Clemency Schuster" and change this ratio to 1s. 4d.

Mr. N. M. Joshi (Nominated Non-Official): Not being an expert in economics, I propose to express in a few words the point of view of an average citizen of this country on this most vexed question. I should have left this question to be dealt with by experts, but unfortunately the exchange ratio does not stop at influencing the lives of only experts and scientific economists. It influences our life too. It is, therefore, necessary that, although we may not have the scientific knowledge, we should express our point of view on this question.

I have heard a great deal about the benefits of appreciating the rupee and also the benefits of depreciating the ratio. From the point of view of an average citizen, what is necessary is not either the appreciation of the ratio or the depreciation of the ratio. What the average citizen wants is stable prices.

I have also heard a great deal about the stabilisation of the ratio. Let me make it clear that the average citizen does not care also for stabilisation of the ratio. What he wants and he always wants is the stabilisation of prices. What the average citizen, especially that large class of people who live on wages, wants is that he should get the same amount of commodities for his wages. He wants to see that his money fetches its real value. If you appreciate the ratio or if you depreciate the ratio, the working man is always on the horns of a dilemma. If you appreciate the ratio, for some time he may benefit by the lowering of prices, but he suffers by having the employment reduced. Similarly if you depreciate

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the ratio, there may be some encouragement to production, but, at the same time, the real wages go down. Therefore, from the point of view of the average man who lives on wages, neither appreciation nor depreciation does him much good. If there is some stimulus, that stimulus is temporary and, therefore, he always wants stability of prices. The ratio has been stabilised in our country for the last seven years and still we know how the working classes of this country have suffered. It may be that the immediate effect of that ratio was not the reduction of wage, but we have now seen that throughout the country the wages have gone down. In Bombay, the wages have gone down by nearly 50 per cent. Besides that, the employment has gone down. As many as one-third of the number of workers in the Bombay textile industry are now unemployed. We, therefore, know the effects of even a stabilised currency. Therefore, we do not make a fetish of stabilisation of the ratio. What we want really is a properly planned economies for this country. Mere raising of the ratio or the lowering of the ratio will not be enough. I was, therefore, glad to hear from my Honourable friend, Mr. Mody, a reference to what President Roosevelt has done. What the country wants, in order that prosperity may be restored, is a plan by which prosperity could be reached. That plan has been followed in some countries and we have some experience. Russia has followed a plan, and whatever grudge people may have against Russia, Russia has shown that if you make a proper plan, by which the interests of all the people in the country will be safeguarded and by which industry could be built up, that plan does the country some good. Russia, after the five years plan, is becoming one of the most industrialised countries in the world. But some people may not like the example of Russia to be followed. Let them then follow the example of President Roosevelt. Nobody can say that President Roosevelt is the President of a Bolshevie country or that he will follow a Bolshevie plan. My Honourable friend, Mr. Mody, referred to President Roosevelt and his plan, but let me tell my Honourable friend and the Government what President Roosevelt did. He did not depreciate his currency first. He first took steps to see that there would be more employment by reducing the hours of labour. He first reduced the hours of labour. He did not increase wages first by depreciating the currency, because President Roosevelt knows and we all know that, if you depreciate the currency, the working peoples, who want higher wages, are bound to suffer. If the prices go up, the wages do not go up to the same extent immediately. It takes time. Therefore, the working classes must not suffer, and if they are not to suffer, steps must be taken before you depreciate your currency and raise the prices to reduce the hours of work and to increase wages. This is what President Roosevelt did and I would suggest to Government and to my Honourable friend, Mr. Mody, and his friends, that if you want to increase prices, by all means do it, if you can, but you must take steps to see that the working classes do not suffer, that the working classes will get sufficient employment, that you reduce the hours of work and increase the rates of wages, so that there will be some kind of encouragement to the industry as well as there will be some benefit to the working classes. I, therefore, feel that what the country needs today is a properly conceived plan of economic evolution. It is from that point of view that I propose to support the amendment of my Honourable friend, Mr. Sarma. His amendment will lead to an investigation of the whole question. I only suggest, Sir, that that investigation should not be confined only to the

consideration of the exchange ratio. Let there be a thorough investigation of the whole question of the economic development of this country and let the terms of reference to any Committee, that may be appointed, be wide enough for the consideration of a properly developed plan for the industrial development of this country; and, if such an investigation is made, I have absolutely no doubt that there will be a reconsideration of this question. It is from that point of view that I support the amendment of my Honourable friend, Mr. Sarma.

Diwan Bahadur A. Ramaswami Mudaliar: Sir, I rise to support the amendments moved by my Honourable friends, Mr. Sarma and Mr. Mody. I hope when I have said what I have to say on these amendments I shall sit down, vindicated as an honourable man who will not lightly repudiate his own signature. Sir, I listened with some regret and more amazement to the speech of my Honourable friend, Sir Leslie Hudson, when he spoke in favour of the sanctity of signatures and the observance of honest principles in public life. Sir, I should like to say that however much we individually may unconsciously fall below that high standard, we are equally anxious that, in the public actions of public men, there should be followed a standard of honesty above reproach and that agreements howsoever made should be observed both in the letter and in the spirit.

My Honourable friend, Sir Leslie Hudson, took upon himself to deliver a lecture about the London Committee Report and told this House that the principal signatories to this report, particularly my Honourable friends, Sir Cowasji Jehangir, and Mr. Mody, and myself had somehow or other not observed the compromises which were laid down in that report and were trying to repudiate them. I remember, Mr. President, my statement on a previous occasion that I was prepared to abide by every agreement that was arrived at in the London Committee Report and that I was anxious to keep to all the agreements that were arrived at there both in the letter and in the spirit. It has not been easy, Mr. President, as you yourself can easily realise in connection with this Bill for some of us associated with the work in London, to carry with us those who are generally with us in these matters, and to command the general goodwill of many Members of our respective Parties. Domestic infelicity is a well-known thing, so far as Parties are concerned, over this Bill, and without appreciating our position, without trying to realise what forces we have had to overcome, my Honourable friend has made a tirade against us this morning and charged us with dishonesty of purpose, and stated that we were not respecting our own signatures. Sir, my Honourable friend is a commercial man. He knows what it is to make a charge of repudiation of a signature. He must, therefore, be taken to have spoken with all that weight which is associated with those who know commercial dealings and are engaged in commercial life. Let me come to the London Committee Report and let me show that there is not an atom of truth in any of the charges that my friend has so lightly made against us. I am only surprised that a gentleman, who did not know the inner working of that Conference and who has not had the opportunity to understand the nature of the deliberations that took place there and who consequently did not and could not follow the discussions of the London Committee, should have so lightly made such charges against us. I am surprised and pained, because usually during the last three years that I have had the

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privilege of being associated with my Honourable colleague, Sir Leslie Hudson, I can say that he has commanded the respect of every section in this House. I can only say that I regret that on this occasion he should have imported heat into the discussion, and quite an unnecessary amount of heat, and that he should have made aspersions which we least expected from him. Sir, my Honourable friend talked of the repudiation of signatures. I thought that that came with very ill grace from an Honourable gentleman who only the other day repudiated his own signature. (Hear, hear.) May I call my Honourable friend's attention to the signature he himself put to a document, at least as solemn as the London Committee Report, the document of the Joint Select Committee, where he put his signature to the statement that the Governor of the Bank should be a man of "tested banking experience" (Hear, hear), and may I remind him that here on the floor of the House even after being reminded of the fact—and I was the person who reminded him of the fact—my Honourable friend coolly, calmly, and may I say collectively, so far as the collective wisdom of the European Group is concerned, got up and said that he was going behind that statement. Sir, let not those who live in glass houses throw stones at others! "It is true", he said, "that I put my signature, it is true that I supported this thing about 'tested banking experience', but I have had the opportunity of the collective wisdom of my Group. I have worked out the matter with them, I have deliberated again and I now find that I was wrong". If that plea, which is an absolutely futile plea, is open to my Honourable friend, Sir Leslie Hudson, can I not get up and say: "Yes, at the London Committee we did agree, but since then we have come over here and we have had not nine European colleagues, but nine hundred thousand people to consult all over the country, men who have taken life-long interest in this matter, men who understand details, men whose knowledge or experience was unrivalled, and we have now come to the conclusion that we should take a different view." But I do not hide myself behind that plea. I do not say that "wisdom dawned on me on the floor of the House when Government moved the amendment". My Honourable friend knew that the Government members were going to put in a dissenting minute. The Select Committee were warned of that fact. For the benefit of my friend even as he was signing the Majority Report of the Joint Select Committee, the dissenting note of Sir George Seluster and Mr. Taylor was there and yet my Honourable friend comes to this House, suddenly finds that the Government have taken a very strong view on the subject and gets up and says: "After consultation with my colleagues, I am compelled to recede from the signature that I have put down in that document. I, therefore, repudiate my signature at the instance of the majority of my colleagues". Sir, I am not going to take up that position. I am not a commercial gentleman dealing with the sanctity of signatures every day. I think it would be wrong, utterly wrong to take up that attitude, because it was not proper to do so when no new arguments were brought forward at all and when no new facts were placed at his disposal. Sir, I am not going to repudiate my signature, if it can be called repudiation, because thousands and millions of my countrymen have advised me that it would be wrong to adopt the ratio at the present rate. I wish to say, on the other hand, that we are willing to keep up to the letter and the spirit of the London agreement. My Honourable friend has read the London agreement, but I wonder

whether he has been able to understand what he has read. I am making no aspersion against him. It is a technical matter and a difficult matter and any amount of the knowledge of the English language will not be helpful to understand this matter unless you have followed the discussion and unless you know the conditions on account of which every phrase in that report was written. It is not possible to follow that report unless you know the conditions that prevailed then and unless you know the co-relation between the paragraph before and the paragraph succeeding. My Honourable friend has read the report, and I would like to invite the attention of the House again to that report:

"The questions which arise in connection with the exchange obligations to be imposed on the Bank present special difficulty in existing circumstances. In the prevalent state of monetary disorganisation throughout the world, it is impossible to incorporate in the Bill provisions which would necessarily be suitable when monetary systems generally have been re-cast and stabilised. In these circumstances, we consider that the only sound course for India is to remain on the sterling standard."

So far as that is concerned, no person on this side of the House has repudiated that portion of the agreement. We have all unanimously agreed that the sterling standard should be kept up. There were differences of opinion in the London Committee even on that question. After a great deal of discussion, we were convinced that that was the right thing to do. And here I would like to refer to the great volume of talk that has taken place on the word "compromise". Will my Honourable friend explain, from the fund of knowledge that he has got on the subject of "compromise", what he means by it? I understand the word to mean that if there are two extreme or divergent points of view and both have moved a step towards each other and the result is the union or unanimity of views, it is a compromise. Now, what was the extreme view that my Honourable friend, the Finance Member, and the advisers of the India Office took on that occasion? My Honourable friend has read the view they took in the report and that view has been embodied in the present Bill. So much for a talk of compromise. Now, Sir, let me tell him that in this connection, at any rate, there was no question of compromise. We agreed with reference to certain facts and we accepted certain principles, but we did not accept certain other principles. I venture very respectfully to suggest that even the Finance Member, with his anxiety to defeat all these amendments, could not go as far as my friend the Honourable Member representing the European Group, who talked so much of compromises. Now, what was the position that the Government took up? I have got here the detailed proposals in connection with the London Committee. The proposition that they laid before us was merely this:

"The adoption of a sterling standard will render it necessary to replace the clauses under the original Bill with provisions on the lines of the existing Currency Act, an additional provision being made for an upper sterling point."

This was the extreme position, if I may say so, that the Government put before us. What is the position today under clauses 40 and 41? Is this not the identical position? Where is the compromise? What is it that the Government have given up? What is it that we have got from the Government in relation to this question? It is true that in the London Committee it was agreed that there was a lacuna in the original Act with regard to the upper point and it should be filled up. I have not made any statement against that position. I have not said that the

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Finance Member was going back on his words. Some Members feel that, in introducing the Bill, the Honourable Sir George Schuster stated that the identical provisions of the Currency Act were being reproduced in this measure and my Honourable friend, Mr. Sarma, says that there was a lacuna in the old Currency Act and there was no provision regarding upper gold point which you have inserted here. He suggests that to that extent it is really adding to the Statutory law on the subject. That is not the charge that I have made against the Honourable Sir George Schuster. I do not propose to make it. At any rate, Sir Leslie Hudson could have waited to see what was the charge that I was going to make against the Finance Member. The case of the upper point at the present moment is purely a theoretical matter. At the present time, whether the upper point is there or not, surely the rupee is not going to rise to 20*d.* or 24*d.* We are concerned fundamentally with the lower point. Therefore, my Honourable friend ought to have waited to see what was going to be our charge. Our charge is not that the Honourable the Finance Member is going back on his words. That is not the ground on which we are objecting to these ratio provisions. We are objecting to these provisions, because we feel that the letter and the spirit of the agreement at London are not being observed by these clauses. Let me here state that these clauses were never drafted in London. These clauses were never placed before the London Committee, and whatever else was agreed to, these specific provisions and these Statutory clauses 40 and 41 were never considered by the London Committee in so many words. Let me proceed with the London Committee Report:

"On this basis, the exchange obligations incorporated in the Bill must necessarily be in accord with the rupee-sterling ratio existing at the time when the Bill is introduced."

My Honourable friend played with these words and laid a great deal of stress on the fact that, having accepted that, you dare not go beyond it. But my Honourable friend read the next sentence without understanding it. Let me, for the benefit of the House, read the next sentence:

"This statement does not, however, imply any expression of opinion on the part of the Committee on the merits or demerits of the present ratio."

We were careful enough to guard ourselves against any admission. Then, let us see what follows:

"The ratio provisions in the Bill are designed to make it clear that there will not be any change in the *de facto* situation by the mere coming into operation of the Reserve Bank Act."

So, the provisions in the Bill are designed not to make any change in the *de facto* situation by the mere coming into operation of the Reserve Bank Act. My Honourable friend, Sir Leslie Hudson, has paid no attention to that. The vital issue there was that, at the time of the coming into operation of the Reserve Bank Act, there will be no change in the ratio.

Let me now refer to the amendment of Mr. Sarma, or of Mr. Mody. What does it say? The report speaks of the mere coming into operation of the Reserve Bank Act and not the passing of the Bill at this stage. So, by the mere coming into operation of the Reserve Bank Act, there will be no change in the ratio. The amendment suggests that the ratio on that day will be the ratio on the day previous to the day of the

coming into operation of the Act. The ratio will not be changed or affected. Let me proceed further and explain as I see some doubting Thomases shaking their heads in the House.

"A considerable majority of the Indian delegates, ..."

This is the paragraph which was inserted at the instance of the Indian delegates, and here may I say that it was not merely the delegates from British India, but those also from Indian States who felt that there was a great deal to be said about this ratio and they were not satisfied with the existing ratio. They thought that there should be a thorough enquiry into the whole basis of the currency system of this country. I am anxious to emphasise that fact, because it is sometimes believed that it is only a few agitators in Bombay and in Calcutta who are exercised over this question of ratio. No, Sir, every Indian State is exercised over it, if it had the temerity to speak out its mind, if the Indian States were not controlled by the Political Department of the Government of India which to some extent prevent them from speaking out their mind to the embarrassment of the Government of India, a greater volume of criticism, a more intensified spirit of criticism would have come from the Indian States than even from British India. I have got here half a dozen drafts of these clauses which were inserted after a prolonged discussion. The drafts took various points of view into consideration and finally this draft was accepted as the one that could bring out the intention fully. What does this draft say:

"A considerable majority of the Indian delegates feel it their duty to record their view that a suitable exchange ratio is one of the essential factors for the successful working of the Reserve Bank. They point out that considerable changes have occurred in the currency bases and policies of almost all the countries of the world in the last few years. In their view, ..."

—Mark these words, Mr. President, that is the view of a considerable majority of Indian delegates,—

"In their view, it is for the Government of India and the Legislature to examine these and all other relevant considerations with a view to ensuring that the minimum possible strain is placed on the currency system of India."

I leave aside the Legislature for the time being. I confine my attention to the Government of India. What did the Committee recommend? They recommended that the Government of India should examine the whole question and, if I am not disclosing any secret, I think the Honourable the Finance Member will bear me out in this statement, they wanted the whole position to be reviewed before this Bill was introduced in the House. My Honourable friend stated then, and I suppose he will repeat it now, that the Government of India was every day examining the currency position, that they were every day trying to see what was the proper currency basis for this country and that they were in close touch with this problem and that nothing was to be gained by special examination.

The Honourable Sir George Schuster: My Honourable friend referred to me. It is not for me to say what the Indian delegates wanted, but I think my Honourable friend will admit that if the question of having any sort of enquiry before this Bill was introduced was raised, it was made perfectly clear that no enquiry of that sort could be held before this Bill was introduced.

Mr. H. P. Mody: We are not asking for any enquiry now.

Diwan Bahadur A. Ramaswami Mudaliar: I was referring to the fact that a point was raised that the Government of India should satisfy themselves before introducing this Bill that the position they were taking up with reference to the ratio was the right position. They suggested at that time that they would review the situation, but that did not satisfy some of the members of the London Committee. They did not want an elaborate enquiry, they did not suggest a Hilton-Young Commission. Sir, we have had enough of these Commissions and we know that the only recommendation that is adopted is that to which the Indian members do not agree and do not give their assent. Beginning with the Herchell Committee, the Fowler Committee, the Chamberlain Committee, the Babington-Smith Committee, we have had bitter experience of these Commissions and the history of the Indian Finance and its management by the Government of India has been one consecutive history of bungling. It is not for me to say it, but competent authorities, both in this country and outside, particularly authorities who have had to deal with the bi-metallic standard, have said that from time to time the Government of India did not follow some of the elementary principles with reference to this, and that they were making the same mistakes over and over again. If time permitted, I could go into the question and quote authorities, but I do not think it is necessary in connection with this question to raise this particular issue.

In the London Committee, therefore, the position was clearly explained that, before the Honourable the Finance Member would introduce the Bill, he would again set this whole question for examination. They did not call for an outside enquiry at all, they suggested, and here I want to have the concurrence of my Honourable friend on the subject, they suggested that the Government of India themselves should examine the position. It is there in black and white in this very report that the Government of India should examine this basis and should satisfy themselves that the proper currency exists at the present moment. It is open for my Honourable friend, the Honourable the Finance Member, to say that they have done so and I expect him to say. My complaint against my Honourable friend, Sir Leslie Hudson, is that he has not understood the significance of this statement, and, I ask, how can the Government of India have taken up the whole question and examined it within a few days after the arrival of the Honourable the Finance Member from London and the introduction of the Bill into the Legislature? How can there have been any examination of this question at all? To that extent at least the Government of India have not discharged the responsibility and the onus that was cast upon them by this report.

Then, again, we took perfect care to say that we were not going to tie down the hands of the Legislature in this respect at all. We said, the Legislature was free to examine the question. What my Honourable friend said was and what he says today, and to that extent we are observing, honourably observing what we led the London Committee to understand, what my Honourable friend, Sir Cowasji, Jehangir, said, was this. It is not a practical proposition for a Legislature to carry by a majority of votes an amendment to the effect that the currency ratio should be 1s. 4d., or 1s. 3d. or 1s. 2d. These are really matters for executive orders, and, in the very nature of things, these must be done by executive orders, and he repeated there, as he repeated in the Select Committee time after time and as he said today in the House that the Government of the day must overnight fix a new ratio, if it is going to alter it at all. We realise that

position. In every country it is so. The fundamental difference is this, where the Legislature does not agree to the ratio proposed by Government, it is not a new ratio that is fixed by the Legislature, but it is a new Government that is brought into existence when it is not in sympathy with the ratio that is proposed by that Government. That is the constitutional position. It is so in France. Time after time Governments are defeated. The Daladier Ministry, the Sarrant Cabinet are gone, because the Legislature did not feel competent to fix a new ratio or interfere with these questions, but the Legislature did feel competent to change the Government so that a new Government would carry out the intentions of the Legislature. We are in this unhappy position that we cannot do that. We are in the position that we can only cry hoarse in this House. What did my Honourable friend say? He said: "I am not prepared to recommend to the Legislature that they can themselves, by a majority of votes, amend this ratio and carry a Resolution that 1s. 4d. should be the ratio rather than 1s. 6d. We do not propose to do that." If my Honourable friend, Sir Leslie Hudson, had waited and seen, he would have seen that none of us, at least some of us who were at the London Committee, were not anxious to carry by a majority a new ratio that has been suggested all over the country. It is not merely because we feel that the Honourable the Finance Member has got votes in his pocket and he can defeat us; that is not the spirit in which we have worked this Bill all through, that we have been voting on this measure all through. Our position has been misunderstood, our activities and our intentions and our honesty of purpose have been questioned. In spite of that, we adhered scrupulously to the agreements which we thought were in the best interests of the country. Here my Honourable friend comes and we are attacked from this new quarter. But surely, Sir, there is a limit to the patience with which we have been working at this measure. Even our anxiety for the ushering in of the responsible Government in a Federation, even that, and it has been laughed at by Honourable Members like Mr. Lalchand Navalrai, even that I repeat, cannot make us bear with patience the gibes very much longer. Now, Sir, according to this London Committee Report, again I say, that the Government of India did undertake to examine this whole question, and we have not yet had a satisfactory statement from the Honourable the Finance Member, whether the examination took place or not.

The Honourable Sir George Schuster: My Honourable friend has suggested that by introducing this Bill ten days after my return to India, I put myself in a position which made it impossible for me to carry out some sort of undertaking which he says was given in London. May I remind my Honourable friend of something which will be supported by every Member of the House who was in the London Committee that before my Honourable friend left London, I asked all the Members of the Legislature to meet me in a room at the India Office. I told them what the time-table proposed was and I asked them whether they agreed with it, whether they had any comments or whether they wished us to proceed on those lines. My Honourable friend, who is just speaking, said that he hoped that I would put off the Select Committee meetings until the beginning of November, because he himself had got to go to Canada and, therefore, would not be able to attend or serve on the Select Committee if it began earlier than the 1st November. That was the only criticism or comment on what I said. Every Member of the Assembly and the Council of State, who went on to that London Committee, agreed with our

[Sir George Schuster.]

programme and they must have known that we could not possibly carry out any inquiry before we introduced the Bill. There was never any suggestion of an inquiry, and my Honourable friend is creating an entirely misleading impression in what he has just been saying.

Diwan Bahadur A. Ramaswami Mudaliar: Sir, I do not want to labour this point further for obvious reasons. (Laughter in certain Benches.) I thought I would leave it at that, but since there are some cynical cheers, I am bound to follow it up further. My Honourable friend will permit me to refer to two or three drafts at least which are in front of me, drafts prepared not by him, but by the Secretary of the London Committee, by Sir Cecil Kisch, drafts which were seen by my Honourable friend, the Finance Member, himself. The ultimate wording is different, I agree. My Honourable friend stated that there was no suggestion that the Government of India should be required to inquire into this position. I will only read one of these drafts and this is a draft by Sir Cecil Kisch:

"The problem of the ratio itself is independent of the Reserve Bank Act, and certain of the Indian members of the Committee consider that, before the Bill is actually submitted, the Government of India should consider the currency situation in all its bearings before laying its proposals before the Legislature."

I am sure, my Honourable friend . . .

The Honourable Sir George Schuster: I never suggested for a moment that my Honourable friend did not ask for some sort of an inquiry. What I am saying is that when we left the matter in London, it must have been perfectly clear to my Honourable friend that we were going to adopt the time-table which made any sort of inquiry which he has got in mind impossible. He accepted that position and every single Member of the Legislature then in London accepted that position. When I interrupted my Honourable friend before, I said that I could not claim to speak with authority about what the Indian members desired. I am merely stating to the House what was the understanding reached when we separated after those London discussions.

Diwan Bahadur A. Ramaswami Mudaliar: Sir, I will only content myself by reading once more the language of the London Committee Report:

"In their view, it is for the Government of India and the Legislature to examine these and all other relevant considerations with a view to ensuring that the minimum possible strain is placed on the currency system of India."

It is admitted, and I think no Member of the House can deny it, that the only occasion when the Legislature can deal with this question is when it is dealing with the Bill and I take it that the language meant that the Government of India also would examine these questions before the Bill was introduced.

Sir, now we come to the actual recommendation of the London Committee Report. That will be found in the appendix that has been annexed to this, and what does it say:

"Clauses 38-40.—These clauses will require to be replaced by provisions on the lines indicated in paragraphs 19 and 20 of our Report."

And that was all that was agreed to in the London Committee Report. Now, I want to show that the amendment, which my friend, Mr. Sarma, has moved, is in keeping with that agreement and is in keeping with paragraphs 19 and 20 of the report. Paragraphs 19 and 20 of the report say that, before the Reserve Bank Bill actually comes into operation, the rate that was prevalent at the time should prevail when the Bank comes into operation. Now, let us read my friend, Mr. Sarma's amendment, to see whether, if that is the meaning of the London Committee Report, there is a substantial departure from the understanding arrived at:

"The Bank shall sell to any person who makes a demand in that behalf and pays the purchase price in legal tender currency at its office in Bombay, Calcutta, Delhi, Madras or Rangoon, gold for delivery at the Bombay Mint at the rate which may be fixed by the law which is in force on the day prior to the coming into force of this section or, at the option of the Bank, sterling for immediate delivery in London at the rate and subject to the conditions under which, on the aforesaid day, the Governor General in Council is, by law, under obligation to sell sterling."

I really cannot understand what objection there can be from any quarter of this House to the enactment of such a provision into law. I have not yet heard the Honourable the Finance Member, but I still venture to hope that he cannot find any objection to this provision. I do not want to suggest that he will oppose this amendment at all. My Honourable friend, Sir Leslie Hudson, took it for granted

The Honourable Sir George Schuster: I should like to leave my Honourable friend in no doubt about that. But, while I am interrupting him, I shall ask him a question. How does he explain this sentence:

"On this basis, the exchange obligations incorporated in the Bill must necessarily be in accord with the rupee sterling ratio existing at the time when the Bill is introduced."

I ask him, whether clauses 40 and 41 are not an exact reproduction of that recommendation.

Diwan Bahadur A. Ramaswami Mudaliar: I thought I had dealt with that question. I asked my Honourable friend, Sir Leslie Hudson's attention, and I now ask the Honourable the Finance Member's attention to the sentences that follow.

The Honourable Sir George Schuster: I want my Honourable friend's explanation of this sentence

Diwan Bahadur A. Ramaswami Mudaliar:

"The ratio provisions of the Bill are designed to make it clear."

The Honourable Sir George Schuster: That is not the sentence.

Diwan Bahadur A. Ramaswami Mudaliar: My Honourable friend has got a paragraph in which one sentence he can rely upon, but he knows very well that there is another sentence on which I can rely. It suits him to concentrate the attention of the House on that sentence and it suits me,—and, I venture to think, it is in consonance with the spirit of this agreement,—it suits me to ask the House to concentrate its attention on the sentence following.

The Honourable Sir George Schuster: If my Honourable friend is satisfied with that, I am prepared to leave it there.

Diwan Bahadur A. Ramaswami Mudaliar:

"On this basis" (that is, on the sterling standard basis) "the exchange obligations incorporated in the Bill must necessarily be in accord with the rupee sterling ratio existing at the time when the Bill is introduced."

—And then follows this sentence—

"The ratio provisions in the Bill are designed to make it clear that there will not be any change in the *de facto* constitution by the mere coming into operation of the Reserve Bank Act."

It seems to me that this concluding sentence, the sentence with which the paragraph winds up, is absolutely clear that what we had in mind is that, by the mere coming into operation of the Reserve Bank, there should be no change in the ratio. The only objection that I can find has been seriously urged is that it will lead to a good deal of speculation. My Honourable friend, Mr. Mody, has dealt with this question. I think, Sir, we are carrying this bogey of speculation too far. Speculation there is in the market at all times; speculation there will continue to be whether you accept this amendment or whether you reject it. Speculation there is in the market, because the world is speculating so far, because conditions are so fundamentally changing from day to day, because there is a telegram from America which says that President Roosevelt may do such and such a thing, because there is some other cable from somewhere else that France may go off the gold standard, because there are a number of vital factors every day operating which make for speculation on the part of those who are speculators by birth and training. It is our misfortune that this speculation should queer the pitch for us, but my Honourable friend must find some remedy by which he can prevent this speculation; but he cannot put it forward as a perpetual and everlasting reason for this ratio being maintained at any particular level. Is my Honourable friend certain that, if this Bill is passed in the present form and if the pious hope is expressed in the Bill that at some unknown date when the Reserve Bank comes into operation, 1s. 6d. will be the ratio, he will stop speculation? Will my Honourable friend state on the floor of the House that he does not expect any speculation directly this Bill is passed, fixing 18d. as the ratio? My Honourable friend knows that he is not in a position to give any such assurance to this House. Speculation has been the result of various other factors and not merely this. My Honourable friend, Sir Leslie Hudson, said that there would be any amount of speculation and the ratio would be broken. If it is so simple as all that, I wonder why these speculators do not now, without any reference to the Currency Act or to the proposed Reserve Bank Bill, speculate and break down the ratio. It is not so easy as all that; for a few weeks a few people may speculate and then withdraw the money back again into this country: after all, there is a limit to the credit that even the speculators might command; there is a limit to the amount of dealings that they can make through these Banks and, therefore, it seems to me that it is absolutely beside the point to labour this question of speculation and raise it as a bogey at every stage. I would point out that this is the most innocuous amendment that can be accepted in connection with the ratio. I do agree that fixing the ratio at 16d. will be most inadvisable at the present time, because we do not know how we will be affected: we do not know whether 1s. 4d. is the real proper ratio. Why not 1s. 3d.

or 1s. 2d. ? Therefore, if I am unable to make up my mind as to the exact ratio, if there has been no inquiry into this matter, if monetary conditions are so unstable as they are today, I do not see why I should give my consent to 16d. rather than to 15d. or 14d. There I do stand, in spite of so much of opinion in the country, by the agreements that we reached in London, that it will be futile and unwise to disturb the ratio at the present moment in connection with this Bill. But I venture to suggest to the Honourable the Finance Member very respectfully that it is equally futile and equally unwise to suggest that on September 1st, 1934, the ratio in the country will be 18d. and not any other ratio. We are not prophets to look so far ahead: we cannot suggest to the exchange markets that this is the ratio that will then prevail, and as this Bill is one that will come into operation not immediately after the passing of this Bill, but at some distant date, I say that it is equally unwise to fix the ratio in this measure and to suggest that it will be the ratio which will guide the Reserve Bank when it comes into operation.

I do not want to go into the merits of this question: I think there are many honest people beyond those whom Sir Leslie Hudson appears to know, that there are many among the Europeans in various parts of the country who have told us that 16d. is the proper and 18d. not the proper ratio. I believe the Madras Chamber of Commerce, for instance, has approved of the specific amendment of Mr. Sarma, and I hope that when my friend, Mr. James, gets up, he will try to reconcile his speech, which I know will support Sir Leslie Hudson, with the opinion of an important commercial body like the Madras Chamber of Commerce which has suggested that Mr. Sarma's amendment is the best in all the circumstances of a very difficult and complicated situation.

Mr. F. E. James: Mr. President, my Honourable friend Mr. Mudaliar, has expended a great deal of sound and fury, though nothing else, upon my respected leader, Sir Leslie Hudson. I think I may say that he has to some extent misinterpreted the emphasis which was given by Sir Leslie Hudson to the word "honest". I think not one of us in this side of the House did not view with a considerable amount of admiration the work of the Members of this House from all parties on the London Committee, and nothing that was said by Sir Leslie Hudson in any sense was intended to detract from our recognition of the value of that work. I hope that subsequent speakers will recognise that fact and will not go too far in endeavouring to misinterpret what my respected leader said this morning. Our main difficulty

Sir Cowasji Jehangir: Did the Honourable Member use the word "misinterpret" ?

Mr. F. E. James: My Honourable friend is perfectly right: I used the word "misinterpret"

Sir Cowasji Jehangir: Does the Honourable Member say that my Honourable friend, Diwan Bahadur Ramaswami Mudaliar, has misinterpreted what the Honourable Sir Leslie Hudson said ?

Mr. F. E. James: If my Honourable friend will sit down, I will rise: I certainly think that from the heat with which my Honourable friend, the Diwan Bahadur, spoke, he misinterpreted the whole spirit of Sir Leslie Hudson's speech

Sir Cowasji Jehangir: Oh: spirit! (Laughter.)

Mr. F. E. James: . . . and after all, when one is dealing with a speech, it is no use picking out one word or another—it is essential to pick out the main argument of that speech and if my friend, the Diwan Bahadur, had expended less time in lashing himself into foam and fury on certain words that were used by my Honourable friend, Sir Leslie Hudson, and had answered the real basic argument of Sir Leslie Hudson's speech, his own speech would have been much more effective . . .

Diwan Bahadur A. Ramaswami Mudaliar: Let us have the real argument now.

Mr. F. E. James: I will explain to the House now what is our difficulty in regard to this particular amendment and what was the fundamental argument used by the Leader of this Party this morning. Making a careful examination of paragraphs 19 and 20 of the London Committee's report, we find that there is an inconsistency between the statements made there—I am not picking out any particular sentence, I am taking the two paragraphs together—and the object of this particular amendment which is now sought to be supported by those who signed this report. Of course I am at a disadvantage—I was not at the London Committee: we on this side of the House do not get the advantage of these invitations—but I will leave the answering of the arguments of my friend, the Diwan Bahadur, to those who were on the Committee and can answer him from the same stand point. But we believe that, if English is English and plain words are plain words, the point of view expressed and agreed to in these sentences is inconsistent with the intentions of my Honourable friend, Mr. Sarma's amendment. As this amendment reads, the legal ratio on the day prior to the Act coming into force will automatically become the Bank's standard and basis of transactions; and I understand that the purpose of this amendment is to ensure that when the Act is about to come into force, the Government will take the opinion of the Assembly on the ratio with a view to its being guided by the opinions of the Assembly at that time . .

Diwan Bahadur A. Ramaswami Mudaliar: No: I do not read that amendment in that way at all: there is no question of the Legislature coming in.

Mr. F. E. James: I am glad to know that my suspicion in that connection is not well founded; but I made very careful inquiries of those who were parties to this particular amendment and I have been assured that this is at any rate their interpretation of their own amendments—I cannot help it if my Honourable friend, the Diwan Bahadur, does not know what interpretation his own Party places upon the amendment for which they are responsible. My Honourable friend, the Diwan Bahadur, suggested that the Leader of my Party the other day had dishonoured his signature in regard to another amendment and in regard to his signature of the report of the Select Committee: Sir, I am not going into that in detail; but I merely observe this: that our understanding of the position in London is that clauses 19 and 20 of the London Committee's report were the basis on which the Government of India agreed to proceed with the Reserve Bank Bill . . .

Mr. H. P. Mody: If my Honourable friend will permit me to say a word, and if you will permit me, Sir, as there has been so much misconception about what was really done in London, . . .

Mr. President (The Honourable Sir Shanmukham Chetty): Is it a personal explanation connected with the Honourable Member himself?

Mr. H. P. Mody: It is a personal explanation in this sense that our honesty was doubted, and it was suggested that we were getting away from the London agreement: to that extent it is personal.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair cannot allow that.

Mr. F. E. James: And let me make it perfectly clear that I do not accuse my friend from Bombay of lack of honesty: if there is one person who has always been honest, it is my friend, Mr. Mody. What I suggest to him and to the others is that there has been an inconsistency, and I was developing the point that I understand that paragraphs 19 and 20 of the London Committee's report provided the basis of agreement on which the Government of India said that they would proceed with the Reserve Bank Bill. If I am wrong in that, perhaps the Finance Member will correct me.

The Honourable Sir George Schuster: My Honourable friend is perfectly right. (Ironical Cries of "Hear, hear.").

Diwan Bahadur A. Ramaswami Mudaliar: Am I to understand that in London and to the London Committee it was made clear that the Government will not proceed with the Reserve Bank Bill if there was any intention of touching the ratio?

Mr. President (The Honourable Sir Shanmukham Chetty): So far as this House is concerned, the intentions of the London Committee can be seen only in the report which has been signed by all the Members, and the Chair will not allow any more statements as to what was in the minds of Honourable Members on this side or in the mind of the Government when the conversations were going on there.

Mr. F. E. James: I am very grateful to you, Sir, for your intervention in the matter: it merely goes to show that those of us who were not in London, but who have only the written document to go on, were perfectly right in our general assumption, and I think that anybody who reads this document, even without the background of the London conversations, would come to the same conclusion, namely, that this was the basis on which the Government of India would proceed in introducing their Reserve Bank Bill, and what we claim is that the amendment which is now before the House is inconsistent with the general lines taken by the London Committee.

The other point which has been mentioned is that it would open the door to considerable speculation, and my friend, the Diwan Bahadur, said, what we all know to be true, that speculation exists in the world independently of the Reserve Bank Bill, in fact independently of the ratio question at all. What we mean by speculation in this connection is not

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speculation in the ordinary sense of the word, but a deliberate manipulation of money with the object of achieving a particular result. That is the meaning of the term speculation when we use it in regard to this particular matter; and Sir, we claim that the passing of this amendment will open an enormous field for this deliberate, planned, manipulation of the currency for the benefit of certain speculators and against the interests of the country generally.

Now, Sir, I should like to deal with one or two matters that were referred to by my friend, Mr. Mody, in the course of his speech. In the first place, in his general argument in favour of de-valuation, he seemed to suggest that it would serve to correct the disparity between the fall in prices of manufactured goods and the fall in prices of agricultural produce. He no doubt is aware of the fact that this disparity is a world "malaise", that it is present in almost every country which is suffering from the economic slump. I would also recall to his mind the fact, of which no doubt he is well aware, that all over the world there is hanging over the world markets large accumulations of stocks in regard to agricultural products. It is very doubtful whether the depreciation of the currency at the present moment would result in any considerable rise of prices even of a temporary nature. But assuming that it does result in some temporary rise in agricultural prices, he is not unaware that a depreciation of this kind would result in a rise in the prices of all imported goods, it would result in a rise of prices for raw materials; it would result in an increased cost of production of manufactured goods; it would result in a rise in general living expenses; it would result also in a rise of all those imported articles which are used by people in this country. Yet, during all that time of readjustment, wages would remain the same. The general level of wages and salaries which has now adjusted itself to the present ratio would not be altered except as a result of great industrial unrest and general dissatisfaction all over the country. I suggest, Sir, that devaluation of the rupee would not serve in any way to correct the disparity between the two levels of prices.

Then, Sir, my friend, Mr. Mody, referred to the experience of other countries which had depreciated their currency, and asked the House to let him know why India should not also follow suit when practically every country in the world had, as a matter of fact, depreciated its currency. In the first place, I have no doubt he is aware that every other country in the world that has depreciated the external value of its currency has done so, because it has been absolutely forced to; and I think in every case it has been forced to by the budgetary position of all those countries. He knows that in the United Kingdom, the budgetary position forced the country off gold. That was the case in France, that was the case largely in Japan, that was the case in Belgium. He quoted also Australia and Germany. But India has never been in that position in the budgetary sense, and, therefore, what we are discussing now is not being forced off a particular ratio, but a deliberate cold-blooded depreciation at a given time for some particular purpose, and it is very essential that the distinction should be borne in mind by Members of the House

Mr. Lalchand Navalrai: How is it that India is not in the same position?

Mr. F. E. James: Because India's budgetary position has never been in the state of the budgetary position of the countries I have mentioned.

Then, Sir, there is also the well known fact that in the other countries, which were referred to this morning, wage standards have been considerably reduced, and the standard of living generally has gone down to a very large extent. Furthermore, the interest on their loans is far higher than the interest on loans which we seek in the general market, and I will add this, that depreciation has already forced down world prices. One has only to remind this House of the demands there have been in India for protection against the depreciated goods from Japan which have been coming into this country as a result of the depreciated yen. Does this House seriously consider that other countries won't take similar steps against India if we deliberately depreciate our currency with a view to gaining some advantage in connection with our export position? Surely, it is understandable that when the whole world, as a result of largely depreciated currencies in different lands, has seen a phenomenal fall in world prices, we cannot possibly argue that any depreciation in this country is going to help the economic situation, internationally or even nationally. Sir, I would remind my friend, Mr. Mody, and also the Members of this House, of a book which was written by Sir Norman Angel some time ago, called the "Great Illusion". The whole purpose of that book was to prove (which, I believe, he did successfully), that warfare brought no benefit to any of the combatants. I think it may be said equally of currency warfare, that any country which engages itself in currency warfare really cannot benefit. Sir, I would ask my friend, Mr. Mody, to consider one other point. He seemed to suggest that depreciation of the rupee would in fact do a great deal to restore the prosperity of this country. I admit that he looked at that question from a broader point of view, but I would remind him that in all the countries he mentioned, the depreciation of their currency has not taken place as a deliberate part of their recovery plan. If you take the Empire countries together, you will find that the steps they have taken in regard to the raising of prices internally have dealt with the reduction of foreign obligations through conversion, institution of large public works, the arrangement of tariff and quota agreements with other countries, wage adjustments, unemployment insurance and a large number of other methods which have been utilised by those countries in order to improve internally their economic condition. I would remind my friend of the policy of America to-day. Those, who are quoting America as an instance of a country which is using or is beginning to use a method of depreciation as a price raising weapon, must remember that America has already gone through three stages before arriving at the present stage, and the present stage is surely uncertain enough. First of all, they took in hand the salvaging of their banks and a re-organization of their national credit policy. They then abandoned the gold standard, they then passed those two remarkable Acts,—first of all the Agricultural Adjustment Act, and, secondly, the National Industrial Recovery Act, the latter of which dealt with Codes for the raising of wages, for the cutting down of hours, and for the limitation of production in relation to consumption. Is my Honourable friend, Mr. Mody, prepared to go as far as America has gone before reaching the stage of deliberate manipulation of currency? Sir, I would like to emphasise that our view is, first of all, that this is neither the time (that is to say, the introduction of the Reserve Bank Bill), nor the place, nor the body to alter the ratio. Secondly, I would like to say that we do not think that rupee

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devaluation will solve any of the ills from which the country is at present suffering. I am not at all sure, and this is hypothetical,—I am not at all sure that it will not add to the difficulties, because it will add to the international difficulties with which India is at present confronted. Of course, I admit that it is the easiest thing to do; it is the thing that lies nearest at hand; and it is the thing that has tempted other countries. My Honourable friend, Mr. Ramsay Scott, who referred to this aspect of the matter, seemed to regard the whole question as an extraordinarily simple one. He suggested that if Sir Basil Blackett came here for one week and had the advantage of meeting Mr. Ramsay Scott, the matter could be settled within a very short time. The rupee would be devaluated, her exports would go up, prices would rise, and India would once more get back to prosperity. It reminds one of Simple Simon. A Simple Simon met a Pieman going to the fair; said Simple Simon to the Pieman: "Let me change your ratio." Said the Pieman to Simple Simon: "First show me your arguments." Said Simple Simon to the Pieman: "Oh, I have not any." It is not as easy as that, nor is it true to say that a study of Sir Basil Blackett's "Planned Money" is going to settle all our difficulties. Sir, I agree with a great deal of what Mr. Mody said in the latter portions of his speech. But it is not only planned money that is required; it is planned economy, and I may say that I find myself in agreement with much of what Mr. Joshi has said in that connection. There is no use denying that much of what has been said by Mr. Mody and others in regard to the economic position in the country is absolutely true, whether we agree or not with the methods which he proposes for changing that position. I do not think that this House should spend its time in arguing as to what was said or what was not said at the London Conference. There is one problem on which every Member of this House should unite in trying to solve, and that is the problem of improving the conditions of the man who bears us all on his back. I was reminded the other day by a leaflet which had been sent to me, of a remarkable speech by Lord Curzon in which he used the following words:

"It is the Indian poor, the Indian peasant, the patient, humble silent millions, the 80 per cent. who subsist by agriculture, who know very little of policies, but who profit or suffer by their results, and whom men's eyes, even the eyes of their own countrymen forget, to whom I refer. We see him not in the splendour and opulence, or even in the squalor of great cities; he reads no newspapers, for, as a rule, he cannot read at all; he has no politics. But he is the bone and sinew of the country, by the sweat of his brow the soil is tilled, from his labour comes one fourth of the national income. . . ."

Mr. B. R. Puri (West Punjab: Non-Muhammadan): How much revenue are you charging him?

An Honourable Member: Let him finish.

Mr. F. E. James:

"... he should be the first and the final object of every Viceroy's regard."

And I would add, he should be the first and final object of the regard of the Legislatures in this country. The position of the ryot today is one which should give not one single Member of this House a moment's peace. I suggest to this House that this problem is the problem of all problems; it cannot be solved by a mere devaluation of the ratio. The position at

the moment is that the ryot has no money to pay his debts; he has no money to pay his landlord; his landlord has no money to pay his land revenue. I have had the increasing feeling for some time, and members of my community also have this feeling, although now I cannot claim to speak on behalf of my Group, I speak entirely individually as one Member of this House—I have had the increasing feeling lately that the Government of India must take more energetic steps to consider a nation-wide campaign to raise prices. At present we are told that this matter is mainly in the hands of the Provincial Governments. Generally speaking, the Provincial Governments have met the situation by retrenchment and by land revenue remissions. Both those policies have nothing to do with the raising of prices; both those policies will do nothing to raise the prices of agricultural products upon which the ryot depends. I saw the other day an account of a debate in the United Provinces Legislature which I believe was initiated by one who is known to many Members here, Mr. Chintamani. He initiated the debate on a proposal for a five years' plan for the United Provinces. It seems to me that in this matter, not only in the Provinces, but also in the Government of India we are inclined to live a hand to mouth existence. Our whole object and energies are concentrated upon the balancing of our twelve months' budget. Sir, you will find that most of the dictators in the world have got to their present position by reason of the fact that they have been men with a plan—not necessarily because they have been eloquent, not necessarily because they had had behind them the largest party in the country when they began. But without any exception you could point to all of them and say that they had—whether it was a right one or a wrong one—that they had a definite plan for the solution of their countries' difficulties, and because of that plan they were put into the position in which they are today. The Government of India and this Legislature cannot escape, I suggest, the responsibility which lies upon them to work out some comprehensive plan, which, with the help of Provincial Governments, can be applied throughout the whole of India on a nation-wide scale. I read the other day in the memoirs of Mr. Lloyd George that what is wanted in an emergency are three things; first of all, a single purpose, secondly, a co-ordinated plan, and thirdly, concentrated and furious energy in the execution of that plan. I believe we have a single purpose. I believe there is no one in this House who does not desire to see a general rise of prices. I know the Finance Member has also that in mind. I would remind him of his own words at Ottawa in which he said:

"While the difficulties of effective action towards producing a rise in prices are fully recognised, the situation which I have attempted to describe seems to us (I want to mark these words) to justify the consideration of any course which offers a hope, however slight, of ameliorating the position."

We have the high purpose. Where is the plan? A famous General once said, a General without a plan is like a blacksmith without a hammer. Where is the energy? It may be there. I believe that there is a certain amount of energy in the country working at this problem, but it is not co-ordinated. It is working on separate lines. It is working in separate provinces. There is no one co-ordinating power which will concentrate this energy on the execution of a great economic plan. I believe that the stages which we should follow in this connection are; first of all, to get on with the business of placing the Reserve Bank Bill upon the Statute-books so that, whatever may be said, in the near future, the currency and

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financial policy of this country may be in the hands of the people of this country. Secondly, I believe there is a great deal in the suggestion of my Honourable friend, Mr. Mody, that Government should consider the possibility of an economic inquiry or whatever you might like to call it, which will cover the whole range of factors which are affected by and which affect the present situation. The whole range of those factors would include many things. It might include general economic problems. It would certainly include currency problems. It would include commercial problems. It would probably include certain political problems. But that is required and it must be done by the Government of India, because the Government of India have the main subjects which are affected in their own hands. As a result of that, there must be on the lines of the report of this Committee definite national planning throughout the country. It is difficult to say this at a time when we are approaching further devolution of powers in the provinces, but I cannot help reiterating my own conviction that unless there is some co-ordinated plan and drive in the execution of that plan, then the problem in India will never be met in even a small degree. After that I believe that, as the Honourable the Finance Member himself said at Ottawa, and as you yourself said, Sir, in another debate on the floor of the House when you returned from your distinguished services at that Conference, there must be energetic action within the Commonwealth and the Empire in regard to the raising of price levels in the sterling countries. Then, as the last stage of this great effort to meet the present economic situation, there must be co-operation in bringing about such international equilibrium and stability without which not only India, but no other country in the world can possibly prosper. You may think that we have wandered very wide from our original subject in dealing with this matter. My whole purpose is to claim that devaluation of the rupee today will take us nowhere. It must be considered along with the other great forces which are going to make for disorganisation in the economic and financial spheres. This may not be the time to deal with that, but I do hope that the words of my Honourable friend, Mr. Mody, will have a sympathetic hearing by the Honourable the Finance Member and that perhaps, as a result of this debate, there may be on the part of the Government of India a far more energetic and concerted action in regard to the financial and economic problems of this country.

Mr. C. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): Sir, I must right at the outset congratulate my Honourable friend, Mr. James, on the manner in which he defended the Leader of his Party. The manner recognised that a defence was necessary, but knowing the Leader of the European Group, as I do, I do not believe he meant to offend nor was he offensive. On an occasion like this it is necessary to clarify the issues and I recognise that on this ratio controversy opinions can be held of two different kinds, the European opinion on the one side and the Indian opinion on the other and, true to his traditions, true to his duties to his Party and true also to the interests of his own people, and I would even add, to the interests of my people as he sees those interests, the Honourable the Leader of the European Group has presented his case in a manner to which I at any rate do not propose to take any exception. After all, this is a House in which we must be

prepared for plain speaking and the Honourable gentleman is as enlightened as we are not ignorant about European interests in the light of that speech. Therefore, I have nothing to grumble, nothing to quarrel about. I would even go further and say that, had the Report of the London Committee thrown the light, that I am glad Honourable Members who served on that Committee are throwing today, earlier, probably the atmosphere in the country would have been less warm than it is. The Currency League propaganda was based on the fact that there was a unanimous report. We in the Railway Committee at any rate indulged in the luxury of dissenting notes in the margin. Had there been a lead and a light, for people in the country can only go by the written report, probably the accusations and counter-accusations here and out in the country would have been less vehement and less unfortunate. I, however, congratulate my friend, the Leader of the Opposition, Sir Cowasji Jehangir, for giving the lead that he has given in the best interests of the country which he always has at heart. As I said the other day, and I do not mind repeating almost the same words that I uttered the other day, this ratio is felt by commercially-minded patriots, by agricultural people, by all and each in the country as something in the nature of an outrage. That was the language that I used on a previous occasion in this House, and having studied the subject more and more, I at any rate do not feel that I should alter that language so far as the representation of the feeling of the people on this matter is concerned. They called it an outrage when Sir Basil Blackett placed the ratio before this House. They continued to call it so, however disgusting from the European point of view that expression might be, however inspiring from the popular point of view it has proved to be. They now attribute all the miseries of the country, as Sir Purshotamdas Thakurdas attributed vehemently on the floor of this House, to the ratio. I am at one with the Honourable the Finance Member that this is no occasion to rake up the ratio controversy. In the ratio controversy the differences will continue to be what they have been. On these questions there have always been two opinions in all the countries of the world. Even on the question of the devaluation of the rupee or the pound or the dollar, there has been wasting of controversial energies in all parts of the world. Therefore, I cannot speak with the authority of an expert and say "You are wrong", but at the same time while I admit that the Honourable the Leader of the European Group is honest about what he says, he admits that we are equally honest about what we say. He was not questioning, I am certain, the honesty of purpose on this side of the House. On the contrary, as the speech of Mr. James showed, he admired our honesty of purpose and, in his admiration of our honesty of purpose, he wandered into the villages. He discovered the peasant in the language of Lord Curzon and he said "Maintain the ratio in the interest of the peasant". I have not before me the words of Lord Curzon, but I remember the words of an English poet probably more popular than Lord Curzon in this country and in his own. (Laughter.) Probably what Lord Curzon said in those days coincided with what the English poet said. That English poet said:

"Yet still e'en here content can spread a charm,
Redress the chine and all its rage disarm,
Though poor the peasant's cot, his feast though small,
He sees his little lot, the lot of all."

Is that the position, I ask the Honourable Member, Mr. James, today in the country? Is not the peasantry today very much afflicted, with

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the rest of the peasantry in the world I admit, but greater than the peasants in other parts of the world, because India is an extremely poor country. And if we want that no excuse should be given in this particular Bill to aggravate the apprehension of the people, it is because, as Mr. Ramsay Scott truly said, there is a feeling, and that feeling cannot be corrected, for it lends itself to argument, that a certain kind of smuggling in takes place in regard to the upper point, especially when our British currency is off the gold standard and our rupee continues to be linked to the pound, and that is why Mr. Sarma, a nominated Member, whose loyalty cannot be suspected on this side of the House (Laughter), but whose allegiance to his own people cannot be questioned when he finds them in the precipice as it were of misery, that is why he has come forward with an amendment of this kind, and, after Mr. Sarma's amendment, I should be astonished why we should have had such a flood of speeches. Sir, what Mr. Sarma says the Government ought to say, for he is not an enemy of the Government (Laughter) and he will not support a cause which is wrong even from the official point of view. (Hear, hear.) Mr. Sarma recognises that if the Government continue to do what they are suspected to be doing, if the Government do not make their position quite clear in regard to this particular clause, if the Government do what the Finance Member said they are not doing, the Government would be suspected; that is to say, Mr. Sarma says: "don't drop this clause altogether. Improve the language. Make it clear. Don't smuggle in the ratio, leave the ratio controversy out." His accusation is that the Finance Member has started the controversy. I do not want to make any such accusation concerning the Honourable the Finance Member. My friend, Mr. Scott, also proved that the Honourable the Finance Member has, from his point of view, raised the ratio controversy. But the Honourable the Finance Member does not want the controversy. Then why go on with the controversy? It is absolutely necessary that this particular clause should not remain in the Reserve Bank Bill in the manner in which it remains. There are the Currency Act and the Coinage Act. You have not got rid of those Acts. You can face the Legislature on that issue straight and fair on some other occasion. In the meantime, leave the ratio question out of the region of suspicion, that is all what the Opposition wants and I believe, on more occasions than one, the Leader of the Opposition, Sir Cowasji Jehangir, stated that "it is futile", to quote his own words, "to raise the ratio controversy". Now, the Honourable Member from the European Group gave us a glimpse of what had taken place in his own Party. They were all free lances today. (Laughter.) It is no longer a Party question, this question of questions; and this reminds me of the fact when this ratio controversy raged on a former occasion, Mr. Gavin Jones took up the same attitude and uttered the same language in the same tone as my friend, Mr. Scott,—and I give sincere congratulations from this side of the House to my Honourable friend, Mr. Ramsay Scott, who has shown that when Europeans have interests in this country of industrial importance, they realise and see things through Indian glasses, as Mr. Gavin Jones and Sir Victor Sassoon did and as Mr. Ramsay Scott sees today. (Hear, hear.) Sir, that is not a policy which ought to have been ridiculed in the childish manner, if I may say so, in which Mr. James ridiculed it. My friend talked about some "Simple Simon". I am glad he did not read out the Simon Commission's Report; had he

done so, he probably would not have found support even from that report, for even the Simon Commission talked in the name of the masses. It is merciful he did not make out that we, to use a phrase of Lord Curzon, were "a microscopic minority" and that he alone represented the millions of India. Sir, when we find that there is a difference in the Group of my Honourable and talented friend, Sir Leslie Hudson that he has not been able to compose, magician as he happens to be, when there are differences in his own camp, I can only say that when they quarrel, we are right. We have not only unity today over this, but also public opinion on our side. Sir, when my Honourable friend, Mr. James, talked—and he talked like the orator that he is,—of the execution of a great economic plan he was trying to mislead us. Who does not want it? He even wandered into the Five Year Plan. He was almost Russian in his outlook. (Laughter.) I do not know why Indian politicians should talk of a Five Year Plan. Why not a Fifteen Year Plan or a Four Year Plan? I do not like this coarse copying of Russia, but, after Mr. James's lead, anything is possible. (Laughter.) He talked of the execution of a great economic plan. He, at the same time, did ridicule Mr. Scott's argument about the "Planned Money" of Sir Basil Blackett. He thought if Sir Basil Blackett and Mr. Scott were to have a conversation, Sir Basil would depart from some of the unassailable arguments in his planned money scheme. Mr. Mody was not so foolish as to talk of "planned economics" without planned money. Sir, the A, B, C of economics is that money and economics go together. How can you have planned economics without planned money? And, therefore, all the beautiful cobwebs about planned economics in the interests of the peasantry would go to the wall, because we first want something to weave the webs with—we want a foundation and that foundation is the ratio,—and, Sir, that foundation, so far as non-official opinion is concerned, is wrong, and that foundation must be righted. This is no occasion to raise that controversy, but as the controversy has been raised, it becomes difficult not to answer points that have been made. Mr. James said that other countries in the world have been "forced" to devaluation, but he did not say that we have been forced *not* to devalue. The one kind of force that prevails in other countries is the force of public opinion, and the force of which we have been made the victims is the force of a whim—not the will of the people,—but the whim of a Government which is not responsible or answerable to the people. (Hear, hear.) Then, Mr. James said that India's budgetary position was sound, and that that was why the ratio was not altered. When Mr. James rises on the floor of this House again to make a statement of that kind, I would ask him to be careful. If he had said that the Government of India's budgetary position was sound, I would ask him to have a private conversation with the Finance Member besides reading his Budget speech, but he was talking of India and her financial position being sound, that, therefore, the ratio is right, and let it go on. Sir, I hope he has read the beautiful memorandum of one of the ablest men in the Indian Civil Service, Sir Malcolm Hailey, which is summarised by another able ex-Member of the same service, a retired Finance Member of Madras, Sir Alexander Cardew. In the current number of the *Contemporary Review*, for the benefit of Mr. James and others who labour under the same lack of information,—I won't put it worse than that—I may read this passage:

"While the Central Government has thus balanced its Budget,"

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—it was this balance which has got on the brains of Mr. James—

“the Provincial Governments, taken together and considered as a whole, have not been able to achieve a similar result.”

--Mr. James talked of India as a whole. Sir Malcolm Hailey's memorandum shows that the total expenditure of the provinces is estimated at £59·84 million and their total revenues are estimated at £58·21 million--

“There is a deficit on the part of the Provincial Governments, considered collectively, of 1.63 millions, a deficit which considerably exceeds the modest surplus presented by the Government of India. This deficit occurs in spite of the exercise” (mark these words, Mr. James) “of the sternest economies by the provinces including a 10 per cent. cut on all salaries within a certain level.”

After this, I hope Mr. James will not ridicule one of his own noble-hearted comrades sitting near him as “Simple Simon”. Simplicity can go no further about the economic, and the financial position of India and the conclusion drawn from that simplicity, which I have exposed, must be ruthlessly rejected by this House. Then, where is the atmosphere for economic plans without the right ratio? Sir, I should not take more time of this House, especially when I know that the Leader of the Opposition, whom we are all anxious to hear, will follow me. I dislike long speeches. Therefore, I shall only say one or two things more. Mr. James said, improve the position of the man who bears us on his back, namely the peasant. I will only say to him: Save me from the old man of the sea who rides on the back of the man who bears us on his back. (Laughter.) He understands what I mean. He said, if Blackett were to meet Scott, Blackett would not alter his opinion, but stick in the mud. I never knew Sir Basil Blackett as a stick-in-the mud. (Laughter.) He said, it is not so easy as that. I know it is very easy to stick to one's opinion, but Sir Basil Blackett was always open to conviction and he would have examined the things in the light of what he had seen. If Sir George Schuster also had a longer experience added to the experience of Sir Basil Blackett, I am sure, he would have agreed with the Leader of the Opposition. Sir, I think I should leave the matter at that, repeating once again our satisfaction that when Europeans have interests in India they will look at things from the Indian point of view as illustriously illustrated by the comrade of Mr. James. (Applause.)

Khan Bahadur Mian Abdul Aziz (Punjab: Nominated Official): Sir, several Honourable Members have given the impression that it is necessary to raise the level of prices in order that the country may have a larger purchasing power, and that this can only be brought about by a depreciated rupee. I hope I am not wrongly stating the case in these words. A large number of members in the Opposition want a rise in commodity prices in order that there may be a greater purchasing power and this, according to them, can be brought about only by a depreciated rupee. If that is the position, then Mr. Sarma's amendment does not exist for the very simple reason that it is very vague; it asks for nothing; it asks us to do nothing.

[At this stage, Mr. President (The Honourable Sir Shammukham Chetty) vacated the Chair which was then occupied by Mr. Deputy President (Mr. Abdul Matin Chaudhury).]

On the other hand, we have the very carefully chosen words of Mr. Mody that he does not want an immediate change. Then we have the very careful words of my Honourable friend, Mr. Mudaliar, that an immediate change would be ill-advised and unwise. Also we have the words of the Leader of the Opposition that an immediate change in the ratio would be futile and, therefore, my Honourable friend, Mr. Raju's amendment does not exist. If Honourable Members wish to vote for Mr. Sarma's amendment, why do they emphasise all the other aspects of the case, such as rise in prices, increased purchasing power, and so on. A large number of Honourable Members have referred to agriculturists and, with your permission, I will give the House a few facts. I hope that where I am wrong, Honourable Members will try their best to correct me.

The first fact to which I wish to draw the attention of the House—and this will interest Mr. Joshi, but I am sorry he is not here, because he spoke of the stabilization of prices—is a very simple one. I am referring to a period of prosperity. From the end of October, 1921, and for the whole of November, 1921, the price of wheat which the cultivator needed badly for sowing purposes suddenly rose to Rs. 10 per maund in a large part of Northern India. I will refresh the memory of the House by saying that this was the first year when Australian wheat was imported into India. Immediately the Australian wheat came to this country, the price fell down to rupees seven, rupees six, and so on. Now, that was a period of prosperity; but who got the profit? Not the cultivator who needed the wheat, but the middle man. Immediately the requirements of wheat for purposes of seed were over, the price came down to rupees six and Rs. 5-8-0, and so on. Now, is it or is it not a fact? I will give another fact. Last year, not very far from Delhi, I do not wish to mention the name of the place, there was a sugar factory. Now, Sir, after 11 months of hard work at weeding, watering and watching, the poor cultivator brings his sugarcane to the factory to sell. What is the amount that he is paid? He is paid four annas per maund. And many a time he is told that his sugarcane is not wanted and he is told to take it back. The poor cultivator says: "Even if a man brings a mere load of earth from a distance of five miles, surely he is paid something like two or three annas. You are not paying me anything for the sugarcane which I have brought to your factory." He is told that it is not wanted. Sir, this sort of thing goes on day after day, week after week and month after month. Now, this factory had a gross profit of over a lakh of rupees. I will not mention its name. Honourable Members, who come from the United Provinces, will bear me out when I say that there are rich people in that province who have made profits to the tune of eight lakhs gross and they have meted out the same sort of treatment to poor sugarcane growers. I am not mentioning this as a casual thing. I am mentioning it for the reason that it is connected with the very thing that we are talking about. I am trying to show to the House where the profit goes when there is prosperity and where the profit goes when there is depression. I will now take the case of a village which consists of about 100 families and has a population of about 500, each family consisting of four or five members on an average. That is the composition of an average village. If any single fact is wrong, Honourable Members will try to correct me. Now, out of these 100 families, 60 to 65 are engaged directly in agriculture, that is to say, they are either tenants or proprietors; 20 to 25 families belong to the artisan class, such as, ironsmith, potter and the carpenter and other menials who render agricultural service in the village. The remaining 12

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to 15 and sometimes 12 to 18 are baniyas, other shopkeepers, mullas, beggars, mirasis and different kinds of parasites. Now, Sir, the average village which I am trying to depict—I wish you to see this picture—has generally only one shop and in that shop all the sixty families of agriculturists, that is to say, the tenants and proprietors—these facts are based on a study of the family budgets of an average zamindar family—of the village spend from Rs. 3-8-0 to Rs. 4-2-0 per mensem on that shop. The cultivator or the proprietor does not get wheat or fuel or ghee or fodder from that shop. All that the shop sells is some *gur*, some oil, condiments, match boxes, a little bit of cloth, etc., and the average expenses of a family in times of prosperity are Rs. 4-2-0 per mensem. Now, Sir, it may be slightly less. There is only one shop in a village and you can verify my statement whether that shopkeeper does not make a profit of 25 per cent., it is called four annas profit on every rupee. The shopkeeper, be it noted, Sir, does not pay any income-tax, because ordinarily his sales are less than four thousand rupees per annum in many cases. That leaves you, Sir, for a family of cultivator or agriculturist Rs. 50 per annum. Here are our great sympathisers and friends of the agriculturists and they say: "No, we must raise the price of produce". What will be the result? The agriculturist, instead of spending Rs. 50 per annum, might spend Rs. 56. But my Honourable friends, the sympathisers of the agriculturist, never tell him—they never tell the poor cultivator what those Rs. 56 will purchase? Instead of spending Rs. 50 for his purchases, the cultivator spends Rs. 56 to get the same things which he used to get. What happens and who is benefited? The cultivator always sells in maunds, but buys in seers. His produce may be 20 maunds, he has always got to sell in maunds, but he always buys in seers. It is only those who understand the trick underlying this who will be able to appreciate what I say. If the cultivator sells his cotton, the maund becomes 41 seers; when he purchases, say, a seer of *gur*, it becomes 78 tolas. Sir, religiously this goes on from year's end to year's end, from month to month and from day to day, that for each rupee he gives he gets 14 annas worth of things, and for each rupee that he borrows it is credited as being 18 annas. That is what we are hearing every day about the rise in the price of products. The local producer does not sell his goods direct to the big shopkeepers. He sells his produce to the local purchaser who generally does not pay cash, then the local purchaser takes the goods to the bigger purchaser and then it goes to the market where you have the Volkart Brothers, the Ralli Brothers, the Birla Brothers, and for all these forty Brothers the open sesame is "one shilling four pence". In this way, all the produce goes out, but no money comes back to the village and, therefore, a depreciated rupee does not in any way benefit the producer. If, by chance, the money comes back to the village, what happens? One of nature's mistakes comes into play. Nature works as usual blindly. It is a great pity that the human bone is weak and the Jat's lathi is strong. It is a great mistake and a great blunder. After his day's toil in the fields, hot and thirsty and hungry the Jat gets into an argument and he does not argue as we do here with big phrases. He has no time. He finishes the argument with his lathi, and you know, Sir, what happens when an angry skull hits a swiftly moving angry lathi. The reaction of the Jat in a village is also well known. Having smitten his brother, he bribes a babu, he buys a lawyer, and all the wealth he has got is gone out of the village. At the end of the year, the poor Jat remains where he was at the beginning, penniless. Day after day, month after month and year after year, the

poor Jat toils, but all his wealth goes away. He works hard to remain poor to enrich others. At the present day, the village is where it was thirty years ago, and a decade later on it will be in the same condition as it is today. What do you find in a village, Sir? You find mud walls, cow-dung, lanes that are drains and houses that are holes. I again come back to the subject of prosperity which some Honourable Members want to bring back to the village. I did not give that instance of grain selling at Rs. 10 a maund at seed time for nothing. Every one has read the Banking Inquiry Committee Report. The other day the Honourable the Finance Member referred to the fact that the debt of India was 900 crores and that this Reserve Bank could not do much with its paltry sum of five crores? But, Sir, when people hear of this debt of 900 crores, their minds run to a population of 35 crores. That, Sir, is a misunderstanding of the situation. There are millions who are so poor that nobody could lend them any money. Do you think that 900 crores of debt are evenly distributed? In my Division, in June, 1931, there was 35,000 people working at one anna a day. I enquired from most of them, and they said they were too poor to borrow. In 1933, in another district, there were 12,000 people working on an average of one anna per day and I enquired from most of them, and they said they were too poor to borrow. If you exclude women and children and those who are too poor to be indebted, this total of 900 crores is really spread over $4\frac{1}{2}$ crores. I am not talking of the volume, but I am talking of the burden. If you have followed the figures given in the Banking Inquiry Committee Report, you will find that debt rose enormously in that decade after 1917-18 which was called an era of prosperity, and, in the Punjab, the debt which was ninety crores became 135 crores, and forty-five crores were added in the decade of prosperity. I hope the House will please bear this in mind that when you want to introduce prosperity, you seem to think that by a recovery programme you will be able to do that. Those of us who have the welfare of the cultivator at heart—I am not using big words—and who have sympathy with agriculturists and cultivators, those of us know very well that prosperity did not agree with the villager in the sense that it brought a debt which cannot be wiped out. This effort on the other side for this so-called prosperity is to get back a part of that debt which otherwise cannot be had. I am not exaggerating. . . .

Mr. M. Maswood Ahmad (Patna and Chota Nagpur cum Orissa: Muhammadan): Do you mean to suggest that there should not be prosperity in India?

Khan Bahadur Mian Abdul Aziz: Listen to me; you are not a rent-paying individual, you are a rent collecting individual. Just as a zamindar irrigates his land to make the land yield more, so these financiers with their rupees irrigate these cultivators so that whatever goes may come back. The crop is not left on the land and the money that the cultivator produces is not left to the cultivator. And I am saying that the only honourable fate that this debt of 900 crores can meet with is that it should not be paid. That is the solution. There is no question of mincing words. They cannot pay it and they are not paying it. (*An Honourable Member:* "Repudiate.") If Germany can repudiate, if Europe wants to repudiate, why should not the poor Jat repudiate? After all, it is India's money, it is owed by poor people and it is owed to people who can afford to lose it.

With regard to this question of ratio, my Honourable friend, Mr. Mody, said that 65 crores less came to the cultivator or to the owner; it came

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to the middleman. The whole fallacy of the argument about this benefiting of the agriculturist is that these people mislead and say that the money goes to the cultivator or to the owner of the land. It does not go to them and

Mr. H. P. Mody: I hope my Honourable friend will permit me to interrupt him. This official publication says that the Indian producer received 65 crores less for his exportable surplus.

Mr. K. P. Thampan (West Coast and Nilgiris: Non-Muhammadian Rural): Who is this d-d middleman?

Khan Bahadur Mian Abdul Aziz: I have one thing more to say, and it is this. In one of my districts, I had the rare privilege of meeting a money-lending family who for sixty years,—at least that was true up to four years ago,—never brought a single civil suit against any of their debtors. They suffered their losses if there were any. India should be proud of such moneylenders. They never overlend. Overborrowing is a disease and so is overlending. And, therefore, it is not particularly wise to generalise with regard to any particular class that they are all bad. All cultivators are not good, all moneylenders are not bad. But the fact remains,—and I am forced to expose the whole thing,—that this one-sided preying of one class on another goes on, because, unfortunately, the moneylender's daughter does not go to the Jat's house and the Jat's sister does not go to the moneylender's house. These are all water-tight compartments. If we were one whole, the profit would not remain solely with the middleman. But it so happens that classes have grown up which by birth will be preyed upon and on the other side there are those whose business it is by birth to exploit; and that is why there is this marked persistent poverty on one side and that tendency to make the best of their opportunities on the other. It is not the ratio that is to blame. The effects of the ratio, as I tried to explain to the House, do not reach the villager. He does not buy much, and he does not sell for cash. There are very much poorer people than the cultivator and the owner of land. Their difficulties are enormous; but, Sir, to the honour of my country you will be very glad to hear that even in very severe famine, not one person and not even a single cattle over a large area died of want of food. In European countries people do die for want of food, but these poor people are humane and they still retain their hospitable instincts, and, in spite of the fact that they are indebted to a very heavy extent, they have not yet lost their noble traditions. And it is of these people that I once again want the House to take a kindly thought. It is our duty not to misrepresent the desire for profit in a particular part of the community. That desire for profit is a desire to serve their own communities. Sir, it has been often brought to my notice, and this House has been dealing with the question of co-operation

Mr. Deputy President (Mr. Abdul Matin Chaudhury): Order, order. The Chair has allowed considerable latitude to the Honourable Member, but he must bring his remarks to a close now.

Khan Bahadur Mian Abdul Aziz: I will say only one word. Fifteen years ago, I was reviewing a co-operative report and I came across the instance of a society which had advanced so far that, after having paid off all its members, what they had invested there was still enough money in

the society and they could lend money to their members without interest. This is what people can do with money when they are educated in the use of money. The poverty of the cultivator and of the zamindar is due partly to his ignorance and partly to his superstition, but a great deal, because he is not educated in the use of money; and it is not, therefore, any question of the ratio. With these remarks, I oppose the amendments.

Sir Cowasji Jehangir: Sir, I regret that in this debate there should have been imported a certain amount of heat.

Mr. N. M. Joshi: It is cold these days, we want some heat.

Sir Cowasji Jehangir: My friend, Mr. Joshi, likes heat in debate, because he is accustomed to deal with strikers. But we like peace, and, therefore, I regret the heat that has been imported into this discussion. But I regret very much indeed that this heat was due to a great extent to my Honourable friend, Sir Leslie Hudson, having tried to discuss this question on its merits and thus giving a justification to my Honourable friend, Mr. Mody, for having converted this House into a Currency League meeting.

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) resumed the Chair.]

Now, Sir, we have over and over again stated that we do not desire nor can we discuss the question of ratio on its merits on this Bill. We may discuss the question of ratio on its merits as much as we like outside this House and we can hold opinions as strongly as we choose that the policy of the Government is wrong. The Government can assert as strongly as they like in this House during the Budget Session or on the platform that their policy is right; but, on the occasion of this Bill we have over and over again contended that the question of the ratio on its merits should be kept out of our discussions and, therefore, I regret that the lead should have been given by the Leader of the European Group . . .

The Honourable Sir George Schuster: Would my Honourable friend please explain how it is possible to deal with an amendment to the effect that the ratio should be reduced to 1s. 4d. without discussing it on its merits? According to my Honourable friend, the Leader of the Independent Party, you, Sir, should have ruled it out of order instead of having allowed an Honourable Member of this House to move such an amendment!

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable the Leader of the Opposition is only imposing a restriction upon himself: he cannot impose any restriction upon others.

Sir Cowasji Jehangir: May I point out to my Honourable friend that the amendment was moved in a very few words indeed, and there are sometimes occasions when it is found necessary to move such amendments, but when the Mover moves an amendment of this kind in a speech of a few words, surely my Honourable friend understands the significance of the moving of such an amendment.

Mr. B. Sitaramaraju (Ganjam *cum* Vizagapatam: Non-Muhammādan Rural): I differ from you, Sir.

The Honourable Sir George Schuster: May I also point out to my Honourable friend that practically every speech in support of the amendment, which I think he is going to support, is made on the basis of the wickedness of Government's policy in maintaining the present ratio?

Sir Cowasji Jehangir: I will explain my point of view, Mr. President, and I am not going to prevent my Honourable friend, the Finance Member, from putting any interpretation that he chooses upon speeches made by other Honourable Members of this House. So much for the discussion on its merits.

Now, my friend, the Leader of the European Group, I regret, should have accused us, because we expressed our intention to support Mr. Sarma's amendment, of, I will not say, dishonesty because he does not like the word—he used it himself—I have got his speech here before me—but I am sure he did not mean it,—he did unfortunately accuse us of something very near dishonesty: I am glad to think that he did not mean it and, I am sure, he did not, but since it is down in black and white, he cannot retract it, I must explain our position

Mr. R. S. Sarma (Nominated: Non-official): He has got twenty four hours to retract.

Sir Cowasji Jehangir: All I can say about time is that when ignorance is bliss, it is folly to be wise

The Honourable Sir Brojendra Mitter: Do not support his amendment.

Sir Cowasji Jehangir: and I am not going to rub it in as my Honourable friend, Diwan Bahadur Ramaswami Mudaliar, did, by pointing out to my Honourable friend that he is more guilty of having repudiated his signature only two or three days ago on the floor of this House, than we can ever be accused of such an act by supporting Mr. Sarma's amendment. I am going to drop that unpleasant little occurrence; and, as to my friend, Mr. James' speech, all I can say is, there are many simple Simons in Europe, according to him, many who have thought of curing the ills of the present times by the devaluation of their currencies, and, if there are any simple Simons left in this House, they are those who believe that steps taken in Europe are unsuitable for this country. They are the only simple Simons left in this House

Mr. N. M. Joshi: What is the meaning of it?

Sir Cowasji Jehangir: All I can say is that if the whole of Europe is considering this question of the devaluation of currencies or the question of raising of prices of raw commodities through devaluation, surely, Mr. President, we in India should not be precluded from considering that question; and if there are a good many Englishmen in this country, not Indians, but a good many Englishmen, all I can say is that those Englishmen who are growing in number, not ordinary Englishmen, but Englishmen holding the highest positions in the commercial life of this country, Englishmen in daily touch with commerce and industry, Englishmen who know what they are talking about, then those Englishmen are simple Simons and not only my Honourable friend, Mr. Scott; and may I say it comes with ill grace from the mouth of one who is not in direct touch

with trade and industry and commerce to characterise other Englishmen in this country as Simple Simons, men who do know what they are talking about, some of them holding the highest positions in this country. There are many in Europe, thousands of them.

Now, as to our own position. I may point out that there has been some confusion of thought due to our having to discuss all these amendments together. There is a clear distinction between clause 40 and clause 41 of this Bill. Clause 40 of this Bill corresponds to clause 5 of the Currency Act of 1927. In that section of the Act of 1927, a lower point has been fixed. Therefore, if you state that the provision in the Bill should be that the ratio should be exactly what it is in the Currency Act of 1927 at the time this Bill comes into force, you will be saying very little different to what the Committee's report recommends to this House to do. But when we come to clause 41, there is a difference. If a similar amendment to the one moved by Mr. Sarma were moved on clause 41, it is perfectly correct to say—and I am prepared to admit—that it would not be following in the spirit of the recommendations of the London Committee, and you will notice that I had given amendments both to clauses 40 and 41,—to clause 40 my amendment, which I may say was drafted many days ago, was on the same lines as the one moved by Mr. Sarma and my amendment to clause 41,—and I have given more than one amendment to this,—I am sure, my friend, the Finance Member, will admit, is carrying out the intentions of the London Committee in the spirit. That is where the confusion has taken place. After all, it is a technical point, it is not a point of such importance as my friend, Mr. Sarma, tried to make, and, therefore, many Honourable Members were misled including my friend, Mr. James. Mr. James's contention was that many Members had stated that if Mr. Sarma's amendment was carried, Government would have to come back to this House to fix a low point or high point of the ratio before the Bill came into force. That is not the position. Mr. Sarma's amendment deals with clause 40. The provision for a low point has already been made in the Currency Act; it is only in clause 41 that the Currency Act has not made a provision, and there is a lacuna, and the Committee recommended that the lacuna regarding the high point should be fixed by the Bill that is before us, and, therefore, to move any amendment which does not fill up that lacuna would not be carrying out the intentions of the London Committee, and, therefore, my amendments both to clauses 40 and 41 carry out the intentions of the Committee in the spirit, and I am going to show how they do. Now, Sir, you first decide on a principle, you first decide exactly what you want to do, and then you decide how that is to be done. Much more important is that you should decide the principle, of secondary importance is the method you adopt in carrying it out. I contend that the principle which we agreed to in the London Committee was that the provisions in this Bill should make no change in the ratio, but that they should provide that the ratio that will be in existence on the day before this Act comes into force . . .

The Honourable Sir George Schuster: On the day when the Bill is introduced.

Sir Cawasji Jehangir: I am coming to that. I am talking of the principle. The principle we agreed to was,—and I mentioned it in the London Committee over and over again,—and I will repeat my very words

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to my friend, the Finance Member, it is in our Report, I am not talking from either imagination or from memory,—I am quoting from the Report,—the principle we agreed to was that there should be a provision in this Bill which should ensure that the ratio that will be in existence when this Bill comes into force should be the ratio to be included in this Bill. Now, the most important words are the words quoted in my minute of dissent. This is the principle on which we agreed:

"The ratio provisions in the bill are designed to make it clear that there will not be any change in the *de facto* situation by the mere coming into operation of the Reserve Bank Act."

That is the principle on which we all agreed. Practically it means that the ratio question should be kept out of the discussions on this Bill, and that we shall take it for granted that whatever the ratio may be a year hence, will be the ratio included in this Bill. Now, we agreed that that should be carried out by including in the clause the ratio that was in existence on the day of the introduction of the Bill and that has been printed in italics in the Select Committee's Report on clauses 40 and 41. That was the method. Now, Sir, I have given you the principle, I have given you the method by which that principle was to be carried out. I contend that, due to change of circumstances, the method that we suggested is now not in the spirit of the spirit of the agreement.

An Honourable Member: Which spirit?

Another Honourable Member: Double distillation.

Sir Cowasji Jehangir: Neither of us, Sir, have had any spirit yet. My point is that the method we agreed to has become out of date on account of the change of circumstances, and, therefore, the safest thing is to put into the Bill the principle itself

The Honourable Sir George Schuster: What change of circumstances?

Sir Cowasji Jehangir: I will tell my friend what change of circumstances, I am coming to it,—the dollar has been going up and down. My friend knows it very well, and now, mind you, none of my words are going to lead to speculation. I am not a great authority on this subject so that my words would lead to any speculation, but my friend, the Finance Member, knows that, since we met in London, there have been great ups and downs in exchange

The Honourable Sir George Schuster: Was the dollar mentioned in the London discussions, and did my friend in supporting this recommendation make any reservation that it depended on the stability of the dollar?

Sir Cowasji Jehangir: Let me explain the point. My position was and is that the method by which we should carry out the spirit of our agreement depended upon the circumstances of the times,—the times then were different to the times now, and if I suggest now that we should adopt a different method to carry out the principle we had agreed to, due to change of circumstances, I cannot be accused; on the other hand, I may be justified in accusing the opposite Benches of not sticking to the spirit of this agreement but trying to force on us the letter of it. That is the point. The point is that you try to make us stick to the letter of it, while you give the go by to the principle we agreed to. We prefer to stick to the principle and give the go by merely to the procedure. That is the difference

between us. And, after all, as my friend very well knows, there is not much practical difference between . . .

The Honourable Sir Brojendra Mitter: Then why not stick to both.

Sir Cowasji Jehangir: I would respectfully suggest to my friend to stick to the profession of the law.

The Honourable Sir Brojendra Mitter: In law we stick both to principle and procedure.

Sir Cowasji Jehangir: I agree with the old proverb "Let every shoeman stick to his last".

Now, the position is that I desire to stick to the principle of our agreement, and I am not going to be bothered by the procedure we agreed to. My friend, the Finance Member, cannot possibly deny the great change of circumstances that has taken place in the monetary world since we met in London.

The Honourable Sir George Schuster: I do deny.

Sir Cowasji Jehangir: Does my Honourable friend mean to say that he was not very nearly pushed off the ratio very lately?

The Honourable Sir George Schuster: I absolutely repudiate that statement. I do not know what my Honourable friend is talking about.

Sir Cowasji Jehangir: I will tell my Honourable friend that the speculation that goes on does not depend upon what a poor and humble person like myself says. It does not even depend so much upon what an exalted person like the Finance Member says. It depends upon world conditions, and if there were a few days ago very large remittances of money to Europe, it was due to the dollar and to world conditions, and if my Honourable friend, the Finance Member, now tells us that he was completely ignorant of what was going on in the world of finance in this country during the last three or four weeks, surely my Honourable friend does not want me to believe that.

The Honourable Sir George Schuster: I certainly never said anything of the kind. (Laughter.)

Sir Cowasji Jehangir: That is the interpretation of my Honourable friend's words. We know very well what the position was, and I am not going to discuss it on its merits. I do not want to make the position worse. We know what the position was, and every man

Mr. President (The Honourable Sir Shanmukham Chetty): It would save the time of the House if each Member confined himself to what he says, and not repeat what somebody else says, because nobody seems to understand what the other says. (Laughter.)

Sir Cowasji Jehangir: I have not repeated anything that anybody else said; I am only repeating what I say. I say that the position in the last

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fortnight, three weeks or a month, has been critical, and it does not want an expert to tell that to this House. Anybody who declares his ignorance of that position, I can only state, is one who is not in touch with the financial position. Great changes have taken place. I am not going to try and foretell what the ratio is likely to be when this Bill comes into force, that is not my province. But I do say with some confidence that there is a much less chance of the ratio being 1s. 6d. when this Bill comes into force than it was when we met in England. And I challenge anybody to contradict that statement.

The Honourable Sir George Schuster: I absolutely contradict that statement. (Laughter.)

Sir Cowasji Jehangir: All I can say, Mr. President, is that the Finance Member of this country is not in touch with the financial position of this country. All I can say is that. I say definitely, and I am prepared to say that we are not all simple Simons on this question, that the position today is that it is less likely that the ratio will be 1s. 6d. a year hence than it was when we met in London. The chances were much better when we were in England that the ratio would continue at 1s. 6d. for a period of a year and a half than they are today. That being the change of circumstances, I contend that we have a right to provide in this Bill that the ratio shall be the ratio of the day when this Bill comes into force, and that we should provide for nothing else. We, therefore, put into the Bill the principle on which we are all agreed. I ask for nothing more. When it comes to clause 41, I am quite prepared to move that a corresponding amendment shall be made which will not force my Honourable friend to consider the question of high or low point. We shall fix that. It is in my amendment No. 279, and it reads as follows:

"That in clause 41 of the Bill, for the words 'at a rate not higher than one shilling and six pence and three sixteenths of a penny for a rupee' the words 'at a rate not higher than twenty-seven sixty-fourths of a penny for a rupee above the rate at which the Governor General in Council is bound to sell sterling by the law in force in British India on the day before this section comes into force' be substituted."

Therefore, nobody can for one minute deny our honesty of purpose, or can challenge our desire to stick to the spirit of the agreement that we arrived at in England. Mr. President, I have no desire to go into the question of the merits of the ratio.

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member said he was precluded from doing that.

Sir Cowasji Jehangir: I said I had no desire to, neither can you preclude me, Mr. President

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair thought the Honourable Member wanted to preclude himself.

Sir Cowasji Jehangir: Mr. President, I have to beg your pardon. I never said anything of the sort. What I said was that it would be much wiser not to discuss this question of the ratio, because it would be futile.

and I am going to tell you why. Suppose we discuss this question on its merits, do my Honourable friends mean to contend that the position is going to be exactly the same a year hence as it is today? Will there be no change in circumstances? Is there no possibility of it? Therefore, to discuss what the ratio should be a year hence seems to me to be a futile attempt. It is as futile as 1s. 6d. is, to fix 1s. 4d., 1s. 3d. or 1s. 2d. In all conscience there is enough difference of opinion amongst us as to what the ratio should be today, how much more difference of opinion would there be if we were to try and guess what the ratio should be a year hence. That is the question in a nutshell. Therefore, why wax eloquent in this Assembly on the question of the ratio on its merits? We may wax eloquent on the platform or at meetings of the Currency League. By all means. We do not, any one of us, give up our convictions. Mr. James may stick to 1s. 6d. for as long as he likes. My Honourable friend, the Finance Member, may assert as long as he chooses that he believes that 1s. 6d. is the best thing for us. We shall go on asserting outside this House that we are firmly of the belief that the ratio policy of the Government is wrong. Then, why have all this discussion here? It is purely academic. To a materialistic person like myself, who wants to come down to the realities and not to soar in the air building castles there—I cannot understand all this discussion. It is beyond me. All I have got to say is that we shall support Mr. Sarma's amendment, because we consider it is as futile to put in 1s. 6d. in the Bill as 1s. 4d., or 1s. 3d. or 1s. 2d. We are not in a position to discuss just now any question of the ratio. The position has considerably changed in the world since we discussed this question in England and decided that the best policy would be to leave today's ratio in the Bill. We do not agree that it is the best method of carrying out the principle on which we are agreed, and we consider that the best way of carrying out the principle on which we are agreed is to adopt Mr. Sarma's amendment, and when it comes to clause 41, I will certainly move my amendment as I have read it out to the House and thereby not necessitate my Honourable friend, the Finance Member, or his successor having come to this House to fix the upper point.

Now, Sir, I think my Honourable friend will candidly admit that we, who had the honour of going to England, have done all we could to carry out the scheme as we visualized it in England, a scheme which was a compromise. Let me on my side candidly admit that the Honourable the Finance Member went as far as he could in the Select Committee to meet our point of view. He could not go further. We realise that and we are grateful to him for having gone as far as he did go in making a change in the Committee's report in England. Now, may I point out to my Honourable friend that if it was open to him to make material changes in the recommendations made by the London Committee's report, is it a great sin for us to make a small change which carries out the spirit of our agreement? My Honourable friend agreed to reduce the voting power. He agreed to bring the shares down to a denomination of Rs. 100. I did not quite agree with that. Personally I would have been willing to stick to the London Committee's recommendations, but to meet popular demand I gave way and I gave way on a material question. That was a material recommendation. Here I contend most strongly that by supporting the amendment of Mr. Sarma we are supporting the agreement in the spirit and I go a step further and say that to support the clause in the Bill might not be acting in the

[Sir Cowasji Jehangir.]

spirit of our agreement. It is certainly acting on the letter of the agreement, and, therefore, if my Honourable friend points out to us that we are not adopting the method which we decided on in England, I can only reply with due deference to him that by adopting that method we may be risking carrying out the recommendations in their spirit. Sir, I have nothing more to say. All I have got to say is that I trust the House will adopt Mr. Sarma's amendment and, speaking absolutely frankly, there is not much difference between the provision in the Bill and Mr. Sarma's amendment. It is a question of sentiment. It is a question of principle. The difference is the difference in the circumstances. Circumstances have changed and, therefore, we feel that we are justified in changing the procedure. That is all. I trust, Mr. President, that the House will support Mr. Sarma's amendment.

The Assembly then adjourned till Eleven of the Clock on Tuesday, the 19th December, 1933.

LEGISLATIVE ASSEMBLY.

Tuesday, 19th December, 1933.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

MEMBER SWORN.

Mr. John Bartley, M.L.A.

THE RESERVE BANK OF INDIA BILL.

Mr. President (The Honourable Sir Shanmukham Chetty): The House will now resume consideration of clauses 40 and 41 of the Reserve Bank of India Bill and the amendments moved thereon.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhamadan Rural): Sir, I do not want to take more than ten minutes of the time of the House (Hear, hear), though I intended to speak originally for about three hours. Sir, I have taken your advice and would not like to refer to the discussion that took place either in London or in the Select Committee here. I know there has been some heated discussion on the floor of the House on that subject, although I am in a fortunate position for possessing summaries of remarks made by individual Members on the various topics in the London Committee. I was a silent spectator and I took detailed notes. I think this is not the place to refer to those things or make any reference to the discussions of the London Conference and the advice that you have given, Sir, is an advice, which is not only desirable, but also very necessary, because, sometimes people speak, not because they hold a certain opinion, but because they just want to initiate a certain discussion. I hope other Members will follow the advice given by you.

Sir, the object of the two clauses, 40 and 41, is really to fix very definitely the ratio at 1s. 6d. The Government ask us to legislate in favour of 1s. 6d. These two clauses go beyond the Currency Act, because that Act fixes only the lower limit; but, in these two clauses, we are asked to legislate both for the upper and the lower limits. Now, in this particular case, we know that the opinion of the whole country is decidedly in favour of the view that the present ratio is rather too high and ought to be reduced. The amendment brought forward by my Honourable friend, Mr. Sarma, does not meet my point of view: I am very strongly in favour of an immediate reduction, but his amendment is much better than the provisions of the Bill. Those provisions legislate that now and in future, until

[Dr. Ziauddin Ahmad.]

this Act is altered—and there the permission of the Governor General in Council and later of the Governor General at his discretion will be necessary,—that ratio will remain. Under Mr. Sarma's amendment, the discussion of this point will be postponed to a later date since, as he said, the legislation on the ratio question should not be mixed up with the legislation concerning the Reserve Bank. But the amendment moved by Mr. Sadiq Hasan is very definite. He says the country cannot afford to wait even for a day and that the reduction should take place immediately; and my own opinion is very definitely for immediate legislation in favour of 1s. 4d., but if this is not achievable, then I would like to support Mr. Sarma to postpone the discussion to a later date. I oppose very strongly any attempt to legislate for 1s. 6d. straight off as it goes further than the Currency Act. I should now like to develop my arguments as to why I want to lower the ratio to 1s. 4d.

Sir, this ratio is acting very prejudicially against our interests. We have already tried two shillings and we have also tried the 1s. 6d. ratio, and this has resulted in a loss of 113 crores to the Exchequer, not to speak of the loss to individual members who really entered into transactions. I shall mention three arguments and I hope the Finance Member will meet them. In the first place, our balance of trade, which used to be in the neighbourhood of 83 crores during the quinquennium ending 1929-30 dwindled last year to three crores, though the prospects are better this year, but it will fall very much short of our normal balance of trade. If that is so, how are we going to meet our external obligations? These obligations are of two classes. The first are the obligations of the Government, and the second are the obligations on account of individuals wanting to send their money to England. Suppose Mr. James—I mention his name because he is so popular on the Opposition side—wants to send Rs. 1,300 to England; then the Indian Exchequer will have to find £100 for him in London. That can be done, (1) by borrowing, (2) by the sale of gold, or (3) the shipping of goods. So, against remittances sent to England, it is necessary that we should have to provide sterling and these sterling obligations amount to Rs. 70 crores. How are these obligations to be met? Everybody will admit that payment by loans is very unhealthy and cannot go on indefinitely. If we decide to pay them by drawing on our reserves, then it is very necessary that we should keep the ratio at 1s. 6d., so that the rupee in our reserves should fetch 1s. 6d. instead of 1s. 4d., but if we decide to pay our obligations out of our goods which we produce by our own labour, then it is very necessary that our exports should increase and that can only take place if our ratio is reduced. This has actually been tried in several countries, for example, in Australia and New Zealand, and I think we ought to try that, as, without it, it is impossible for us to increase the volume of our export trade. I would ask my Honourable friend, if he does not agree with our opinion, to suggest something better by means of which the export trade could be increased. The second argument against the reduction of the ratio which is constantly urged is about the rise of internal prices. Now, if we read the discussions of 1927, when the ratio at 1s. 6d. was fixed, we find that the main argument used then was that if the ratio was reduced to 1s. 4d., prices would rise. This is what Sir Basil Blackett said in his speech:

"There would be a sharp rise of prices all round, a rise of approximately 12½ per cent."

This argument had some force because, at the time (1917), our index price was 148. At that time, therefore, it had some meaning to legislate in favour of 1s. 6d., so that a further rise might be checked. But now the problem is not the same as in 1927. Then, the problem was how to reduce the price level. Now, the problem is how to raise it. Therefore, if the argument of having a ratio of 1s. 6d. in order not to lower prices was true in 1927, then the same theory ought to apply today,—and then, the Government, during their discussions, practically admitted the principle that by lowering the ratio, the price level would rise. At that time we did not have a rise and, therefore, 1s. 6d. might have had some meaning. But today Government themselves want that the price level should rise. Therefore, according to the argument which the Government used in 1927, they have no other alternative but to draw the inference that the ratio should be reduced from its present level of 1s. 6d. My last argument is this that, if you link the rupee with sterling, then it is very desirable that we should be tied together at a price so that the wholesale prices may rise or fall harmoniously. Here we find that up to 1926-27 the price index was almost the same in England as it was in India, but now the fall has been much lower in India than it has been in the United Kingdom. This shows that the rupee has not been linked with gold at its true economic value.

Mr. Muhammad Yamin Khan (Agra Division: Muhammadan Rural): Sir, there are two kinds of amendments which I characterise as male and female. There is a bold, definite and straightforward amendment standing in the name of Shaikh Sadiq Hasan which suggests the ratio to be at 1s. 4d. That is a brave, bold and male amendment. Then, there is the bashful and shy-like-a-maiden amendment of my friend, Mr. Sarma . . .

Mr. N. M. Joshi (Nominated Non-Official): Sir, I strongly protest against the description of the modern manhood of this country.

Mr. Muhammad Yamin Khan: Sir, when I read the amendment of Mr. Sarma, I just remembered an Urdu verse which runs thus:

*"Khub parda hai ki chilman se lage baithe hain,
Saf chipte bhi nahin, samne ate bhi nahin."*

"What a kind of pardah is this that the beautiful lady is sitting just behind the chicks: she is neither fully observing the purdah nor is she coming out of it."

This description exactly applies to the amendment of Mr. Sarma who is not at all definite in his amendment. In other words, Mr. Sarma is *sharming*. His amendment does not say 1s. 6d. He does not say that he is in favour of 1s. 4d. He leaves it to the Government to make any arrangement they like in the future.

Mr. E. S. Sarma (Nominated Non-Official): May I interrupt the Honourable Member, Sir. Are we not asked not to discuss the ratio at all in these amendments? That is the reason why I have not said anything in my amendment.

Mr. Muhammad Yamin Khan: Unfortunately, my friend, Sir Cowasji Jehangir, did not move his amendment, but he asked one of his lieutenants, Mr. S. C. Mitra, to move that amendment.

Mr. S. O. Mitra (Chittagong and Rajshahi Divisions: Non-Muhammadan Rural): He does not accept my amendment: I stand for myself.

Mr. Muhammad Yamin Khan: Now, Sir, may I ask what is the effect of these amendments?

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): About what clause are you talking? Is it 40 or 41?

Mr. Muhammad Yamin Khan: If the Honourable Member listens to me in patience, he will know what I am talking about. Mr. Sarma does not say that the ratio should be fixed now; it may be fixed after a few months. Whatever may be the *de jure* ratio may be put down then. It means that they want to postpone the fixing of the ratio for a few months more. The same thing happened with the Bill now but a few months before. What is the object? Just to have the satisfaction that the Member concerned did not vote for 1s. 6d. People may say that Government have fixed that ratio at 1s. 6d. but I did not vote for it. Sir, this kind of thing may give satisfaction to some shy people who cannot face the world boldly, but let me tell the House that I am not one of those persons. I want to face facts boldly. I must say frankly whether I am for 1s. 4d. or for 1s. 6d. or for nothing. I may be wrong, but this is my view. It does not matter to me if I hold a different view from other Honourable Members. It is the boldness which is required and not the shyness that is concealed behind the amendment of Mr. Sarma. Sir, I must at the very outset say this that I am not satisfied with the ratio of 1s. 6d. I would have liked it if it was 1s. 4d. and preferably even lower than 1s. 4d. That would have solved the whole difficulty. But I agree at the present moment with my three Honourable friends, Sir Cowasji Jehangir, Diwan Bahadur Ramaswami Mudaliar and Mr. Mody, who are conversant with these business matters, that at the present time we cannot definitely say that 1s. 4d. is the best ratio. Under the present circumstances, having regard to the economic condition of the world, it is not safe to say what should be the ratio which will be beneficial for India.

Mr. Lalchand Navalrai (Sind: Non-Muhammadan Rural): What is it safe to say then?

Mr. Muhammad Yamin Khan: Sir, it is futile to say, to borrow the language used by Sir Cowasji Jehangir and Diwan Bahadur Ramaswami Mudaliar, that at the present moment the ratio should be 1s. 4d.

Mr. S. O. Mitra: Is not the 1s. 4d. ratio better than the present ratio?

Mr. Muhammad Yamin Khan: It may do good to India, it may not. The only question now before us is whether we can fix in the Bill the ratio at 1s. 4d. But it is futile to put it down at 1s. 4d. We might be obliged to have resort to 1s. 2d. We might be forced to have the ratio at one shilling. At the present moment the whole economic world is disturbed and the only safe thing to do is to link the rupee with the sterling. It does not matter what the ratio is, but it must be linked with the sterling. We can make any alteration in the ratio at present, but the present condition is such that although it may be advantageous for the exporters to a certain extent, yet, may I ask, is that the only remedy? How much of our exports are affected by 1s. 4d. or 1s. 6d. at the present moment? I am not talking what will be the condition when we come back to the gold

standard. As long as we do not have the gold standard, up to that period the question is absolutely different. Take, for instance, cotton, jute and wheat with which the agriculturists are chiefly concerned. In Southern India, there are some groundnuts and cocoanuts which are exported.

Mr. M. Maswood Ahmad (Patna and Chota Nagpur *cum* Orissa : Muhammadan): What about rice which forms 51 per cent. of our exports?

Mr. Muhammad Yamin Khan: If my Honourable friend should see the statistics of the Commerce Department, he will find that he is not correct.

Mr. Lalchand Navalrai: What about Sind rice? Sind exports large quantities.

Mr. Muhammad Yamin Khan: As far as wheat is concerned, we debated a lot during the discussion on the Ottawa Agreement and we came to know that we exported something like three lakhs of tons of wheat in the best year, which is a very big quantity. As far as cotton is concerned, what is its fate? When yen depreciated and when Japan boycotted our cotton, all the cotton was left in our own country. That has got nothing to do with 1s. 4d. or 1s. 6d. or 1s. 3d. Whatever ratio you may put down, it is not going to affect our cotton. The cotton question greatly depends upon the results of the negotiations we are having with Japan. After yen depreciated, we found that all our markets were dumped with Japanese goods. Japan is selling goods at prices which neither the English manufacturer nor the Indian manufacturer could sell. We are getting from Japan things so cheap that it is impossible for anybody to compete with Japan as long as the present condition lasts. While we are getting all the things from Japan very cheap, Japan is not taking any goods from us in return. So the Indian agriculturists do not get anything for their cotton, no matter what the ratio is. It does not affect the cotton growers at all.

Mr. H. P. Mody (Bombay Millowners' Association: Indian Commerce): Does the Honourable Member think that this state of affairs will continue permanently?

Mr. Muhammad Yamin Khan: The other thing is about jute and this may be affected to some extent by the ratio of 1s. 4d. or 1s. 6d. I think most of our jute goes to Dundee, and if the ratio is changed, it might bring some money to the pockets of the agriculturists who grow jute. But if it is realised that jute trade is mostly carried on by middlemen and not by jute growers direct, then we must say that a major portion of the profit by the lowering of the ratio will go to the middlemen. These middlemen are now talking in the guise of greatly interested persons for agriculturists. But these middlemen have got their own interest to look to. When my Honourable friend, Mr. Mody, was speaking on behalf of the agriculturists yesterday, I was reminded of a Jat proverb which my Honourable friend, Chaudhri Lalchand, recited one day in the House that "if any woman says that she loves other people's children more than her own, then she must be a witch". I find that when persons who really want to exploit the agriculturists speak in favour of agriculturists, there must be something behind it. My Honourable friend, Mr. Mody, is interested in seeing that cotton is not exported. He wants that cotton should be cheap in India so that he may get it for the Bombay mills and his interest lies in fixing the ratio at 1s. 4d. In that case, the things which come from outside will be raised

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by two annas in every rupee and the Bombay millowners will be able to sell their goods at two annas more. They will buy the raw materials cheap and sell the manufactured goods at a higher price. That is the motto of my Honourable friend, Mr. Mody. The Bombay millowners should be the last persons to speak on behalf of the agriculturists. Their interests lie in other directions.

Mr. H. P. Mody: Are lawyers any better?

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair would appeal to the Honourable Member who is speaking and to other Honourable Members to be as brief as possible today.

Mr. Muhammad Yamin Khan: Sir, there are four classes of people living in India. Firstly those who are actually engaged in agriculture, the peasantry; secondly, the zamindars who collect rent, i.e., the well-to-do people; thirdly, the wage earners in towns, the artisans and the salaried officials; and, fourthly, the people belonging to higher circle, big millowners, money-lenders, bankers, and so on. As far as the poorest class is concerned, about 75 per cent. of them are small zamindars and peasants and it does not matter to them what the ratio is, because they are the last people to be benefited by this fluctuation in ratio. What will be the effect on the wage earners? If we raise the price of goods coming into this country, such as cloth, etc., these people, who are wage earners, will have to pay more for their goods, and the result will be that they will demand more wages and they will never be content to live on the wages they get. As far as the richer class is concerned, these are the people who are mostly connected with trade with America, Japan, Italy and France and Germany. My Honourable friends, who are importing motor cars, are sending out their money to foreign countries. Instead of making attempts to manufacture cars in India, they are importing American cars, and so on. That is draining the money from India and, as long as the dollar is depreciated, this is going to remain and we are not going to be affected in any way by our trade at all. As far as Italy and France are concerned, their cloth imports combined are more than English cloth imports and they are not going to be affected by our sterling ratio in any way. As regards the rich people who get cutlery, biscuits, etc., it does not at all matter what they pay. They can afford to pay anything and they will continue to pay. As for Mr. Sarma's amendment, it will do this harm that the whole commercial world outside will know that the ratio is going to be changed and it will be less than 1s. 6d. So all people, who placed orders for goods outside, will cancel their orders, because unless they are sure of the ratio, they are not going to buy. And if you do not get things from England, then Japan will dump her goods. And as long as the money does not remain in India, it does not much matter whether Japan or England or any other country gets it. But all orders will be cancelled, because people will know that for one shilling, instead of ten annas and a half, they will have to pay twelve annas, and many people will become bankrupt, because a loss of two annas in a rupee is quite sufficient to make a man bankrupt. Big and small traders will be ruined and the market will be dislocated and business will be at a stand-still. Therefore, this amendment has no legs to stand upon and it cannot be supported.

Mr. Sarma mentioned one point that the Honourable the Finance Member smuggled in the upper point, and he is not right. The upper point

has not been smuggled in. It was discussed in full, it is in the London Committee's Report, everybody knew that it was coming and it was agreed to by everybody even in 1927. So everybody agreed that this upper point was essential in the Reserve Bank Bill. My Honourable friend, Dr. Ziauddin, thinks it is going beyond the existing law. In that case, he is quite entitled to oppose it when we come to clause 41. Because clause 40 relates to the lower point and clause 41 relates to the upper point. He can vote against this upper point if he can prove that it is injurious to the country and should not be brought in; but I think no one can say that it should not be decided by the Legislature, but should be left free to the Bank or the Government to decide later on. So this upper point must come in now.

I will now refer to a controversy to which I was a party and on which there might be some misunderstanding, I mean the controversy between the Finance Member and Diwan Bahadur Mudaliar. I think neither of them remember the facts properly. The controversy was about this sentence in the London Committee's Report:

"In their view, it is for the Government of India and the Legislature to examine these and all other relevant considerations with a view to ensuring that the minimum possible strain is placed on the currency system of India."

This is only one sentence, but none of them read the whole clause which follows the other clauses, and this is what precedes it:

"A considerable majority of the Indian Delegates feel it their duty to record their view that a suitable exchange ratio is one of the essential factors for the successful working of the Reserve Bank. They point out that considerable changes have occurred in the currency bases and policies of almost all the countries of the world in the last few years."

And, then, comes the sentence which I read before. Before this we find:

"The ratio provisions in the Bill are designed to make it clear that there will not be any change in the *de facto* situation by the mere coming into operation of the Reserve Bank Act."

There it is said that the existing ratio must be put down at the time when the Bill is introduced. My friend, Mr. Mudaliar, contended that the Government had given this undertaking that they and the Legislature will examine this question before the Bill is introduced. The Honourable the Finance Member repudiated this, and he gave it out that what happened at the time was that he asked what should be the procedure, and, from what happened, an inference might be drawn that he had no time and the Government could have no time for making that investigation. But, I say, this is only a half-explanation. The real truth is that after great deliberation we agreed that the ratio must be put down as at the time the Bill is introduced, because we did not know what would happen at the time the Bill was introduced. There was the Economic Conference sitting in London when this question was being discussed, and nobody was certain what position would be taken up by various other countries, and, therefore, it was decided that this should be done. Some did want an inquiry, but the Committee refused to undertake it: that is why it is said here that the Committee said that they were not going to go into this business—it was no business of theirs; but it was the business of the Government of India and the Legislature to make a further inquiry later on when they so liked:

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it is no question that the Government gave any undertaking to make any inquiry before or that the Legislature should go into this matter; the Committee in London was not a Committee of the Legislature; it was not a Committee of the Government. It was a Committee composed of certain experts, some Members of the Legislature, some people who were connected with this matter in India, and one member coming from the British Treasury. So they refused to go into this big question and left it to be investigated by the Government of India and the Legislature when the time came, as it was not for them to go into it thoroughly. So whether the Bill came in before or later, the matter was left undiscussed and unconsidered there: they only said, they felt that a certain ratio must be put down and that ratio must be the ratio which existed on the date the Bill was introduced. That was the final decision. Therefore, the Honourable the Finance Member was perfectly entitled to say that what was put down was in accordance with what had been decided and what he had been instructed by the Committee to do. There is nothing wrong in this: the ratio must be the same ratio. I am afraid I have not got the time to develop my points and show the greater fallacies in the amendments moved. I will, therefore, merely submit that I cannot agree with those amendments. I said of Mr. Sarma's amendment that it was a bashful and shy maiden like amendment and that it did not say boldly what it meant. Unfortunately I cannot accept Shaikh Sadiq Hasan's amendment, because even the three other members of the London Committee are not ready to accept his amendment: they say it is futile to say that we must have 16d. at the present time: otherwise, it would have been a better amendment. Therefore, I oppose these amendments.

Raja Bahadur G. Krishnamachariar (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): Sir, the great Bhishmacharya said in the *Shanti Parva*: "Never be at the tail of an army, that is to say, at the back of the army; nor in the front. If you are in the front, you get killed. If you are in the back, you are neglected; therefore, always try to be in the middle". I always preach that, but in my own case, I forgot it for the reason that I wanted to hear my friends. Sir Cowasji Jehangir and Diwan Bahadur Ramaswami Mudaliar, before I said anything, with the result that today I am pressed for time. I do not make any complaint: I can quite understand your feeling, Sir, and if I was in your place—as I hope I shall never be,—hearing these arguments from morning till evening, wise and otherwise, will really make me mad and I would fully justify the letters M. L. A. as the late Pandit Motilal Nehru interpreted them. I will, therefore, try to be as brief as possible, and I shall proceed immediately to say what little I have got to observe within the short space of time at my disposal without any flourishes.

The question of the ratio at one time loomed so big that I thought it was a bugbear which it would not be possible to get over. After having heard all the discussions these two or three days, I find there is very little and there was absolutely no use wasting the time of the House by going into matters which really do not come within the purview of these amendments. As far as I understand, the question of ratio arises in these discussions in two ways: first, regarding the exchange obligation of the Government, and next, as to the actual exchange value of the rupee, that is to say, whether it should be 16d. or 18d. or 14d. or whatever it may be. As regards the latter question, I agree entirely with those gentlemen wh

said that it would be absolutely no use discussing it. My Honourable friend, Mr. Raju, has so deeply immersed himself in the researches of old political institutions to find out how we can get over the machinations of the London people and have our own independent sovereign Legislature here that he did not seriously take this amendment, and, therefore, in a few sentences moved it. I believe my Honourable friend, Sir Cowasji Jehangir, said that you can understand this from the half-hearted way in which he moved it that he did not lay stress upon it. But I do not put it upon that ground. If Honourable Members would kindly refer to the dissenting minutes to the report of the Select Committee, excepting nine gentlemen, both from this House and the other, all of them, although they declaim a great deal against the present ratio of 18d., say that it must be considered hereafter either by an expert Committee or by somebody and somebody, and then a conclusion arrived at as to what the actual ratio should be. Consequently, so far as the question whether the ratio should be 16d. or 18d. is concerned, there is no necessity to go into its merits. I do not agree that the question can be so easily settled, simply because there was a larger number of men who say 18d. is bad and 16d. is good. There is another set of opinion in the country which, with facts and figures, say that the lower rate is good. Consequently, I quite agree with those members of the Select Committee who said that this matter must be inquired into and there was no good rushing the question here in this Bill which admittedly had not got anything to do with the determination of the question of ratio. In this connection, I will only make one or two observations. In the first instance, I desire to congratulate, if I may, my Honourable friend, Mr. Ramsay Scott, on the feeling speech which he delivered regarding this ratio question; I felt that no Indian could have put better or more touchingly the position that he took up. Another point which arose from the same speech as well as from the speeches of other Honourable Members was that when this rate of 18d. was settled in the year 1927, they said it was only a temporary measure and although it was said so and six years have passed, it still remains a temporary measure without any attempt being made to make it permanent. But, Sir, whose is the fault? Sir Basil Blackett, who got the Currency Act amended, said in his speech when introducing the Currency Act Amending Bill that it was only a temporary measure and that as soon as the Reserve Bank came into existence that Bank would take charge of adjusting the question of currency and ratio and all that. Sir, the Reserve Bank did not come into existence, whose fault is that? My friend, Mr. B. Das, said the other day that they were sorry that they wrecked that Reserve Bank Bill, and consequently if the ratio did not come permanently into the Statute-book, I am afraid we are at fault and nobody else. Eternal vigilance, they said, is the price of democracy, and when we wrecked the Reserve Bank Bill, we forgot all about the currency ratio remaining a temporary measure, with the result that it remains temporary today. One important feature of the debates is, and I am glad of it, that my friend, Mr. Mody, has become a friend of the agriculturist, but, Sir, I happen to have an inconvenient memory. It was last year, I think, on the question of imposing a duty on Kenya cotton, on the Gujarat growers and Uganda people, my friend and those who agreed with him having had some interest or other in Uganda and Kenya, jumped at the idea of this tax being introduced, the fact being that it did not help the Gujarat agriculturist, but that it did help the Uganda people who grow the long staple. However, we are thankful to him for small mercies, and I hope

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when the Finance Member will introduce his Budget, he will not try and shift the burden on to the agriculturists. I, however, agree with him in regard to one thing, and that is, I join my friend in his request that a Committee should be appointed in order to examine the economic situation in the country and suggest how it can be improved. I do not want to go into the question of the level of prices and how it could be raised. My Honourable friend from the Punjab dealt exhaustively with this question and I need not cover the same ground. I was glad that Sir Basil Blackett, speaking in Malaya the other day, complained exactly as we do, so that what really happens is that, when we are in office, we are not able to do much or we could not do anything, but when we come out of office, we all complain against the Government as to what they should or should not do.

Now, Sir, that brings me to the real question about which I have been in doubt from the beginning. You may call me a doubting Thomas or whatever it is, but from the time I read Mr. Sarma's amendment in type when it was communicated to me, there was a little doubt in my mind. So far as I have been able to read the London Report,—and I am sorry to say I have got to go upon the language of it, and in accordance with your ruling, Sir, which I may respectfully say was the only correct ruling that could be given under the circumstances,—we have got to rely regarding what actually happened upon the terms of the agreement which have been printed and circulated. Sir, with the knowledge of English that I possess, I tried to read clauses 19 and 20 as carefully as I possibly could. The first clause, that is, clause 19 says that the position regarding the currency is very difficult, that it is not possible to do anything now under any circumstances and that, therefore, the exchange obligation rate, that is to say, the rate for buying and selling sterling should be the one that was existing at the time when the Bill was introduced. Then, Sir, they are careful enough to add that this does not mean that they either agree to this ratio or do not agree, but that they desire that the *de facto* position must continue. Having said that, they proceed to another paragraph, regarding which my friend, Diwan Bahadur Ramaswami Mudaliar, rightly took credit, for having entered that paragraph. But, Sir, I am sorry to say that it only recites what the Indian Members said, and it does not say as to what the opinion of the Committee itself was. Consequently so far as that paragraph is concerned, it is just the same as it was not there, and if my friend, the Diwan Bahadur, had said here that he did say so and so in the London Committee, nobody would have questioned his statement.

Then, Sir, clause 20 is the most important clause. After referring in a small paragraph to the position of the currency and the direction that something should be stated in the Preamble as to what eventually should be done when the monetary standard should be settled once for all, they go on the paragraph 20, and this paragraph is the relevant paragraph in this discussion. They say that it is necessary to fix the upper and the lower point. I will only read just one sentence,—I shall not waste your time by reading the whole of it,—but there are one or two matters which I must bring to the notice of the House. This is what the paragraph says:

"It will be necessary in the Bill to provide limits of the range at which the Bank will be required to sell on demand sterling for immediate delivery. According to

the practice now prevailing upper and lower points have in fact been retained as though the rupee was linked with gold. We recommend unanimously—'unanimously' is my word—We recommend that this practice to which the public have become accustomed should be continued."

Sir, apart from the quibble whether the law provides for the upper or the lower point, I have got my complaint regarding this. My friend, the Finance Member, wanted me to read through the Act. I did go through it, I mean to say the Currency Act, I did take my friend, the Finance Member's advice and read it. The result was that there was no upper point mentioned there, and consequently I found that the present law has not provided for the upper point. There is no doubt that he was literally incorrect, but that is not relevant to the present discussion, because the Bill has got to be framed according to the directions of the London Committee. The London Committee, after stating that exchange obligations incorporated in the Bill must necessarily be in accord with the rupee sterling ratio existing at the time when the Bill is introduced, goes on to say that, so far as the upper and the lower points are concerned, the practice now existing being the one that people are accustomed to, they should not be disturbed. So far as the lower point is concerned, we all agree that it is in the Currency Act, it is only the upper point which has not been fixed, but I want to know whether, as a matter of practice, Government have not been buying gold all these days. It may be for remittance to England or for any other purpose, but they have been buying gold all these days, and they must have been buying gold at some ratio point or other, and I take it that the spirit, as my friend, Sir Cowasji Jehangir, always used to say about this agreement, that the spirit of the agreement is—you have been buying and selling gold and sterling—keep up that practice until the time comes as stated in the Preamble, when, of course, the whole thing could be adjusted. That is the position. I respectfully submit, Sir, in speaking on this question, the existence or non-existence of a certain point in the Act is absolutely side-tracking the issue, and, without wasting much time of the House, I will just read a few sentences from this morning's *Hindustan Times* which exactly represents my view:

"The main contention is that the ratio issue is not raised by this Bill which only states the law as it is at present. Both Mr. Sarma who moved the amendment and Mr. Ramsay Scott who supported him have shown that these two clauses go further than the Currency Act of 1927. That Act, it may be remembered, fixed no upper point, but only the lower point at which the Government may sell gold or sterling, at their option. With the suspension of the gold standard by Britain, India found herself automatically linked to sterling. . . . The Reserve Bank Bill, by fixing the upper point, in addition to the lower point, does go beyond the present law."

That literally it does, there is no doubt about it, but the point which caused me doubt all these days, and I am sorry to say that my doubts have not been dispelled after all that I have heard from those who lay too much emphasis on this argument, is about the amendment and its object.

The paper adds:

"But those who lay too much emphasis on this argument should beware of the Government taking them at their word and leaving the lacuna in the law as it is. To do so will be of no advantage to the country which demands devaluation of the rupee, not a rupee pegged to sterling at a rate below which it cannot fall, but above which it will be free to rise.

Some of the amendments proposed in the Assembly want to postpone the decision on the issue for the present. Such amendment will be a triumph only if, after accepting the amendment, their supporters could induce the Government to repeal the Currency Act."

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Supposing this amendment is carried and Government say, "All right. We wipe out clause 41, because it is not provided for in the 12 Noon. Currency Act", it is impossible for any of us to compel the Government to come to the Assembly to get this upper point decided, and, if you want legislative sanction, they might issue an Ordinance. If you want legislative sanction, an Ordinance will come into being the day previous to the coming into operation of the Reserve Bank Act, and then the whole thing will be put on a legal basis. As a matter of fact, if Government wanted to do that, they might do it, but there is a very sensible suggestion in this newspaper, and that is this. If you pass this amendment, you are neither here nor there, but what we would suggest is that the Government should be induced to repeal the Currency Act immediately in order to allow the rupee to find its level, whatever it may be, on the date when the Act would come into force and then declare that to be the ratio. My Honourable friends know that it is not possible for us to move the Government to take that step, and consequently, according to the view of this paper, with which I agree, it is not at all right that we should disturb the position as framed in the Bill. That, Sir, is my doubt. I say, I keep an open mind; I said that when I first saw the amendment, and I have been saying so. I have been trying to clear my doubt from every individual who could throw some light upon it, and although I said let there be light, there was no light.

Some Honourable Members: Let the question be now put.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is that the question be now put.

The motion was adopted.

The Honourable Sir George Schuster (Finance Member): I think that no one in this House will deny that this is an exceedingly difficult debate for me to reply to it. I wonder if Honourable Members realise how irksome it is to have to sit here and hear various arguments being raised and not to be able to reply to them when they are put forward. Sometimes, my self-restraint burst its bounds and I had to get up and interrupt Honourable Members. (*An Honourable Member:* "Very cleverly.") If I have done so and inconvenienced them at all, I hope they will excuse me.

Now, Sir, I think my first task is to recall to the House exactly what the issues are before it. I should be glad to do so, but I am afraid that I myself am not quite clear about it. We have three amendments before us, but some of them have been moved in such a half-hearted fashion that, according to the advice of my Honourable friend, the Leader of the Independent Party, I am supposed to understand that they have not really been moved at all and are not before the House.

Mr. S. C. Mitra: I do not accept that interpretation.

The Honourable Sir George Schuster: I do not accept it either.

Sir Oowasji Jehangir: I have never said that they were never moved.

Sir George Schuster: Never mind

Sir Cowasji Jehangir: If I may make myself

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member cannot speak unless the other Honourable Member gives way.

The Honourable Sir George Schuster: I have my Honourable friend's speech before me and what my Honourable friend said was that I might gather, from the half-hearted way in which the 1s. 4d. amendment had been moved, certain conclusions. I do not propose to accept my Honourable friend's advice and I propose to treat the matter as one which has to be regulated by you, Sir, rather than him, and to take account of the three amendments which are before the House. First of all, there is the amendment moved by my Honourable friend, Mr. Mitra, to the effect that the words "to be announced by the Governor General in Council after consultation with expert opinion in the country at the time of bringing this Act into operation and that question shall be placed subsequently before the Central Legislature for its confirmation" be substituted in clause 40. My Honourable friend who moved that made one of the speeches in the whole of this debate with which I feel myself in sympathy. If I understood my Honourable friend aright, he does not want to play into the hands of speculators, he does not feel that he is able to pronounce judgment on this issue as to which course is right or wrong, he feels that there is a good deal to be said on both sides, and he wishes to ensure that somehow or other the best advice should be taken and a rate which really suits India shall be adopted. I wish I could meet my Honourable friend, but this sort of resolution would inevitably have the same effect on which I shall have to dwell at some considerable length as regards one of the others—this sort of amendment would inevitably have the effect of opening the door to speculators, and our position is that we must stand on clear ground until the conditions contemplated in the Preamble arise and the whole situation has to be reviewed in the light of a different international exchange situation. That, Sir, is all I need say on that particular amendment, though there are some suggestions that my Honourable friend made to which I shall return later.

Then, I come next to the amendment recommending a reduction to 1s. 4d. That is a simple issue. I agree with what my Honourable friend, Mr. Yamin Khan, said that that is a straightforward and manly amendment which I welcome. I welcome a straight fight. I should like to have a straight fight on this issue. Then I should have time to develop our case more fully than I am afraid would be possible today. I can only say that at present the line I shall have to take up is that that amendment is quite unacceptable. It would mean making this Bill an occasion for altering the present currency position, and that, we have always made clear, is something that we cannot accept. But I want to say something on this particular amendment before I come to the merits of the whole case as regards exchange policy. I want to make Honourable Members realise what the position really is. An amendment of this kind would, in fact, satisfy nobody. Now, let me tell the House of one simple fact. We have had recently in the Finance Department 59 representations from Chambers of Commerce on this subject. Out of those 59, only 2 recommended the devaluation of the rupee to 1s. 4d.; one recommended a devaluation to a shilling, and 56 recommended letting the present rate go and

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devaluation without putting any limit to it. That, Sir, I submit, is the real demand of the devaluationists in the country today, and yet that is not a demand which is supported by many of those who have taken their stand under the flag of devaluation in the present debate. It is not supported by them. Why? Because they realise that to take that line is going to open the flood gates to a rush of troubles and difficulties, doubts and uncertainties which they dare not face. And yet they take their stand on the side of the devaluationist and are prepared apparently to support this amendment of 1s. 4d., which would satisfy nobody and which, if devaluation is the sort of policy that this country wants, would obviously be quite inadequate to meet the situation.

Now, Sir, I come lastly in my review of the issues to that amendment moved by my Honourable friend, Mr. Sarma,—a curious product, if I may say so, the product of an apparently new firm composed of two partners, one “a noble-hearted Englishman” if I may adopt my Honourable friend, Mr. Ranga Iyer’s phrase, and the other a nominated Member who can command the applause of the Opposition Benches,—almost self-contradictory terms! (Laughter.) Both those Honourable gentlemen are Members of this House for whom I cherish feelings of respect and friendship; but if I thought that they had really meant the things which they said, I am afraid feelings under both those heads in my mind would have suffered a very serious decline. But I do not think that I need take all that they said very seriously, because, on internal evidence, I have gathered the conviction that the product which has been put before us—this amendment and their speeches—were not actually the manufacture of that particular firm. I think my Honourable friends were performing the functions of middlemen in this business. (Laughter.) What they have put before us are goods supplied by a well known wholesale house in Calcutta which has been doing a very active business during the last few weeks and I am not quite sure if my Honourable friends quite understood the quality of those goods or the meaning of all the words which they used. (Laughter.)

Mr. R. S. Sarma: A wholesale firm to whom the Honourable the Finance Member has very often in the past looked for inspiration.

The Honourable Sir George Schuster: But enough of that. I want the House to ask itself what this amendment means and what is the motive or justification of those who have supported it. It seems to me that the one thing which has emerged with absolute certainty from this debate is that the answers to my questions are matters of extreme and insoluble doubt. It is, Sir, a very remarkable fact that all the main protagonists have supported this amendment or justified their position on entirely different grounds. My Honourable friends, Messrs. Sarma and Scott, supported it on the ground of my misrepresentation, brought it forward in order to prevent my smuggling through the Legislature a legislative provision which would fill up an existing lacuna in our exchange position and said that their motive was to force us to come before this House and ask for further legislation in order to fill up that lacuna and thus throw the whole ratio issue into the arena of controversy again. They accused me of having misled the House. Now, Sir, I do not believe that that is a charge which will be supported by any single one of those who have followed my proceedings in this matter. I think my Honourable friends, who have sat with me on the Select Committee, will acknowledge that on every point that had arisen I have been perfectly frank, I have been

perfectly consistent and I have deliberately faced the issues, brushed aside all those considerations which I once described to them as hoodwinking considerations. I have told them what my position was, what we can do, what we mean to do and exactly what it means. That, Sir, I intend to continue. Now, the essential purpose of what I said to the House was this: I said that we were not asking the Assembly to give any fresh confirmation of the existing position. Under the existing position, we have Statutory authority and Statutory obligation to support exchange on a 1s. 6d. basis. That is the position which we intend to continue and I want to make it clear to the Assembly that, if we succeed in passing this measure, we shall not claim that we have received any fresh confirmation from the Assembly of this position, nor say to them "Well, in 1933, you again confirmed the ratio and, therefore, it does not lie in your mouths to criticise it or ask us to change it". That, Sir, is, I think, the sort of position which some Honourable Members are afraid of being put into by this measure. I want to make it absolutely clear that we have no sort of intention of taking up that stand.

Having made that clear, I was going to show up the absurdity of that quibble of my Honourable friends that, in seeking to put in provisions which included the upper point, we were trying to smuggle something through the Legislature inconsistent with the attitude that I had taken. My Honourable friend, the Raja Bahadur, has already quoted from the leader of the *Hindustan Times* of this morning which I myself had also brought down to quote. Therefore, I need not repeat that, but I will only say that I hope that some of my Honourable friends who proposed to support this amendment, when they appreciate the real position, may alter their action when it comes to voting.

Now, I come to the three main speakers in the Independent Party all of whom were members of the London Committee. Now as to these, a question has been raised as to whether they have gone back on the London Committee's Report which they themselves signed. I think a good deal of unhappy atmosphere has been introduced into this debate in connection with that subject, and I want to make it perfectly clear that I charge no one with dishonesty. I want to make it perfectly clear that I have always felt and said, and that I still feel and will repeat again, that the members of the London Committee have rendered their country most valuable service, have undertaken a very difficult role, and have shown great courage in doing so. I want to make it absolutely clear that I fully appreciate their own difficulties and indeed the difficulties of the Assembly in connection with these particular clauses. I want to make it absolutely clear lastly that I consider that it would be quite legitimate for any member of the London Committee on his return to India, if after discussion with his Party he found there was difficulty in getting support for the measure in that particular form, to come to us and say: "You must appreciate that if you put the matter forward in this form, we shall find it very difficult to get support. Is it not possible to devise some other form which will serve your purpose and get over our difficulties". If any member of that Committee had approached me on these lines, I should have given very serious consideration to the matter. And indeed even without being approached I have been giving very serious consideration to it; but we have found that it is impossible to select any of these amendments that have been put forward,—and they are very numerous,—and we have found it impossible ourselves to devise any formula which

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would carry out the intention of the London Committee, except in the form which we have chosen, without misleading the public as to our intentions and without creating what we consider to be a vague situation which might be extremely dangerous and extremely adverse to the interests of the country. Sir, I said I could have understood it if my Honourable friends had taken that sort of line, but they have not taken their stand on that ground. My Honourable friend, Mr. Mody, in his characteristically broad-minded way, brushing aside all details, took, I think, the wisest line, because, as far as I could understand him, he made no attempt to meet this charge of inconsistency at all. But I think he did make it clear from his speech that he does mean something very substantial by this amendment. He wants to force the Government to come before the Legislature again. He has thought very hard on this matter. He thinks that if he supports this measure, the position will be closed, bolted and barred once for all. He wants by some sort of loophole to force us to come before the Legislature again before the Bank is set up. Well, my Honourable friend is always frank and I am glad that he has made his position clear. It will help the House to appreciate what our attitude to that position must be. Then, my Honourable friend, Mr. Mudaliar, did, if I understand him aright, take something like the line which I have indicated. He asked us to appreciate the difficulties and he maintained that what he was proposing now was not inconsistent with the London Committee's recommendation, relying very much on one sentence and, I must say, ignoring what I myself consider to be the vital sentence. Lastly, my Honourable friend, the Leader of the Independent Party, took an entirely different line. He frankly admitted, the proposal did vary the method which had been recommended in London, though he maintained that it was consistent with the spirit of the London proposals, and, finally, with a frankness which I greatly appreciated because that was the part of his speech that I liked best, he said at the end:

"Frankly, I must admit that this amendment practically means nothing at all" (Laughter.)

Now, how many Honourable Members in the House are prepared to stand up and say that they are supporting this amendment, because it means practically nothing at all? Sir, if every Honourable Member would get up and say that, our position would be entirely different . . .

Sir Cowasji Jehangir: My Honourable friend has got my speech before him. He can quote it.

The Honourable Sir George Schuster: I have not got that part of my Honourable friend's speech before me.

Sir Cowasji Jehangir: I will give it to him if he wishes.

The Honourable Sir George Schuster: Does my Honourable friend dispute that he did say at the end,—“frankly, one must admit that this amendment means very little at all”, or words to that effect?

Sir Cowasji Jehangir: Yes.

The Honourable Sir George Schuster: I do not want to misrepresent my Honourable friend, but I think that is more or less what he said.

Mr. B. R. Puri (West Punjab: Non-Muhammadan): I think we had better know what the exact words were.

The Honourable Sir George Schuster: I think I am supported generally when I say that that was the impression created by my Honourable friend. Sir, that is the position; but before I get on to my main argument, I want to finish off what I have to say about this London agreement. I must tell my three Honourable friends, to whom I have already referred, that although I have not the slightest doubt that they have satisfied themselves in their own minds that the position that they have taken up is perfectly consistent and absolutely straightforward, I must tell them that so far as I am concerned, I am quite unable to accept their position that the views which they have advanced and the amendments which they have proposed or supported are not inconsistent with the recommendation contained in the London Committee's Report. I am quite prepared to admit that that is a personal opinion and that it is a difference of opinion, but I must make my opinion clear and I must also make it clear that it will be so regarded in London. Now, I do not think that that is an unreasonable position and I also challenge anybody, including my three Honourable friends, to say that we could have embodied the recommendations of the London Committee more accurately and more precisely than we have actually done in clauses 40 and 41 of the Bill.

Mr. H. P. Mody: Will my Honourable friend tell us what meaning he attaches to the words, "that it is for the Government and the Legislature to examine these and all other relevant considerations with a view to ensure a minimum of avoidable strain on the Currency Authority in India"? At what stage is such examination contemplated?

The Honourable Sir George Schuster: That represents the view of a considerable majority of the Indian delegates

Mr. H. P. Mody: That is ourselves.

The Honourable Sir George Schuster: I do not dispute that, but what I have always asked my Honourable friend to explain, and what he has never explained, is how he deals with the sentence to which he himself has appended his signature:

"On this basis the exchange obligations incorporated in the Bill must necessarily be in accord with the rupee-stirling ratio existing at the time when the Bill is introduced."

Sir Cowasji Jehangir: May I ask my Honourable friend one question? Is it open to my Honourable friend, with the sanction of the India Office, to vary that agreement as he chooses while it is not open to us to vary it in a way that does not go against the spirit of the agreement? He can vary it as he chooses with the sanction of the India Office, but we cannot vary it even if we observe the spirit of the agreement? Is that what he means to say?

The Honourable Sir George Schuster: My Honourable friend's question is obviously completely absurd. The position I am taking up is that we have never claimed and never suggested that this Legislature is in any way bound by what was settled in London. Nor have I ever suggested that it is not open to any member of that London Committee to change his position if he chooses to do so. But the position which I myself take and have always taken is that this represents a position which, so far as the Secretary of State is concerned, is regarded as an agreement to which he is bound. I explained to the House the other day that he regards himself as bound to put forward these proposals with the same authority as His Majesty's Government's proposals in the White Paper. Now, if that is the position which he has frankly taken up, my position is that, if this Legislature departs from any substantial terms in the scheme recommended in that report, then obviously the Secretary of State is no longer bound, as I have pointed out that he regards himself to be. My Honourable friend has asked, what is the position as regards the modifications that have been made? But those are all modifications which have been made with the approval of the Secretary of State. If, in order to meet wishes expressed by the representatives of the Indian Legislature, he likes to depart from conditions which the London Committee has laid down, obviously he can do so. My Honourable friend has not been asked to depart from his position in any way which he resents. He has agreed to and indeed advocated all these changes which we have recommended. So, I repeat that my Honourable friend's question was entirely absurd. Now, Sir, that is the position as regards this agreement. This Legislature is not bound and no Member who signed that report is irrevocably bound, but if this Assembly does not pass a Bill which embodies the main feature of that scheme, then the whole of the results of our London discussions are liable to go by the board. That would be a serious result which I consider would be very adverse to the interests of India, because, I repeat, that the Indian delegates in London did succeed in obtaining a great many concessions of substance from the British side and served their country very well in that result.

Now, Sir, I want to come back to the main question of this amendment. What I want to ask Honourable Members is that, after they have heard all the speeches and heard the various differing grounds on which this amendment has been supported, does any of them know precisely what it means, what exactly the result is that it is intended to produce and what exactly our position would be if we were to accept it? Now, let me try to indicate to the House exactly what would be the effect of the amendment. In the first place, it will not force the Government to come before the Legislature again. On the contrary, it will tend to keep the Legislature out. Let me ask the House to consider what might happen? Supposing in the period before the inauguration of the Bank things go on as they are, we need do nothing; we need not come before the House again; we can carry on perfectly well without an upper point. That position has already been made clear. But supposing, on the other hand, the circumstances contemplated in the Preamble arise; supposing all the main countries stabilise again on a gold basis, then the situation contemplated in the Preamble would arise. We have always contemplated that when that situation arose, the whole matter would be reviewed. Now, these things happen suddenly. My Honourable friend, the Leader of the Independent Party, has often pointed out how suddenly the executive has

to take action in the first place. Well, we might have to issue an Ordinance. Supposing we were going to put the rupee on a gold basis again at a new parity, we should undoubtedly, in the first place, have to achieve that by the issue of an Ordinance. If that happens at any time within six months from the setting up of the Bank and if my Honourable friend's amendment is passed, our legislation by Ordinance, which ought to be in force only for six months before we have come to the Legislature for confirmation, would in effect be picked up by the provision which my Honourable friend seeks to insert into the Bill, thus making it the permanent law of the country. My Honourable friend says the rate prevailing according to the law in force on the day before the Bank is set up. "Law in force" covers an Ordinance. The Legislature would be completely side-tracked. Is that the intention of the Honourable Members who have supported this amendment? On the other hand, if you leave the position as we have put it, then if India comes back to a gold basis on a new parity, we have got to come forward for amending legislation. We are putting it into a Statute which has got to be amended. Whether it is the existing Currency Act or the new Reserve Bank Bill, it is a Statute and it would have to be amended in those circumstances. My Honourable friend's proposal, as I said, creates the definite possibility of side-tracking the Legislature and allowing the Government to continue without ever consulting this House again. Then, Sir, what is the second result? Obviously, an amendment of this kind must create uncertainty. After this debate, can we on this side possibly take our stand on the position that my Honourable friend, the Leader of the Independent Party, has taken up that this amendment practically means nothing? The Assembly can claim that it means something quite different and the public will believe that it means something quite different. How many Honourable Members—I repeat that question—will support it if they are told and believe that it means absolutely nothing? Will every Honourable Member get up and testify publicly when he goes back to his constituency that he has passed this wonderful amendment which means nothing? If I can get a written assurance from every Honourable Member of this House that that is their position, then I might regard this amendment quite differently.

Now, I want to say something on this question of speculation and the results of an amendment of this kind. In the first place, let me just read to the House a report which has appeared in a London paper, the *Morning Post*, as to the significance of this amendment. The *Morning Post* has a very acute Indian correspondent and they have dealt with this matter rather fully. They say:

"Devaluationists have hit on new method for attacking the rupee ratio under cover of the Reserve Bank Bill. It is embodied in an amendment that for requirements that Bank should on demand buy sterling at 1s. 6d. should be substituted provision requiring sterling to be bought at rate at which on day before provision comes into force Government are Statutorily obliged to buy it. Devaluationists argue that while Currency Act prescribes selling and buying rates for gold there has not been since departure from gold standard a corresponding specific statutory obligation to buy sterling at fixed ratio. By deleting such provision from Bill but inserting provision that Bank shall buy at statutory rate already applying to Government they would compel Government to introduce legislation to place themselves under such statutory obligation. Hence it is contended that amendment if adopted would force Government to throw whole ratio question into melting pot again before Bank comes into being."

Now, Sir, that shows the sort of impression which is created. Again, I want to say something about the speculators. My Honourable friend,

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Sir Cowasji Jehangir, has told me that I am raising a bugbear which has no real existence. Sir, I do not believe that there are many Members in this House who know what dirty methods these speculators adopt or how they are certain to take advantage of any rumour or any suggestion of a change and exploit it for their own profit. Now, Sir, I want to tell the House a little story. (Cheers from a Non-Official Member.) My Honourable friend's applause is premature; it is not a funny story.

On the 2nd of December, when I was busily engaged in this debate, a certain incident happened. The Additional Secretary in the Finance Department was sitting in the official box in this Chamber when a representative of the Associated Press called to see him and said: "Oh, with reference to this letter of yours, which I have just received, I have already put it on the wires to go off to Calcutta and Bombay, but I want to ask you whether you have got any further information to give me". And he put forward a letter with the heading "Finance Department" signed apparently—a well forged signature—by Mr. J. B. Taylor. This is supposed to be a letter from Mr. Taylor to Mr. Sen of the Associated Press. The letter runs as follows:

"Dear Sir, we understand President Roosevelt has been persuaded by his Advisers to follow the slippery path of unchecked inflation which will mean an entire collapse of other currencies to start with. Currency authorities are adopting measures in all countries to prevent American action from reacting too violently on them, but it is certain that in the early stages there will be almost complete dislocation. It seems important to warn the Indian market at once of the violent fluctuations that are sure to occur in the next few days although in India nothing more than a fall of a penny in the rupee exchange may result. Will you issue the necessary statement, beginning "reliable private advices show, etc., etc."

Yours Sincerely,

J. B. TAYLOR."

As soon as Mr. Taylor saw this letter, he said: "This is a wicked forgery which will lead to the most disastrous consequences, you must stop this at once". The Associated Press representative said: "I will do my best, but I have already sent telegrams down to the Post Office". As a matter of fact, however, he was able to save these telegrams going off by thirty seconds thanks to his promptness, a serious disaster was averted. If the telegrams had gone off, there would at once have been panic in Calcutta and Bombay.

Now, Sir, that happened just after I had made a very definite statement in this House as regards our exchange policy, and the Secretary of State had made a similar statement in London. Those people who had been gambling on creating uncertainty during the discussions on the Reserve Bank Bill had realised that we had spoiled their game and they then had resort to this kind of move in order to enable them to cover up their purchases in one day's panic. That, Sir, is the class of persons with whom one has to deal, these are the sort of vultures which are hanging over the position. And if we allow any uncertainty to be created by anything that is done in this House, it is absolutely certain that there are people waiting about with positions already created to take advantage of that, while the poor agriculturist, whom some Honourable Members have in mind, will sit in his village and suffer far worse in the long run than if we kept the position stable so that he knew where he was. A very similar

result was nearly created last week when another rumour was published to the effect that Government intended to compromise on this ratio issue. As a matter of fact, of course, we arranged for the contradiction of that at once. In Calcutta, owing to the fact that we had made a very strong statement a week before, the rumour was not believed and it had no particular effect. In Bombay, I am afraid, there were more credulous people, and the rumour had an effect, an immediate effect, both on existing prices and on the prices of Government securities. Fortunately our contradiction came after about half an hour and the effect was stopped. That shows the atmosphere in which we are discussing this legislation and I do not believe that five per cent. of the Members of this House realise what are the risks against which we have to guard and why it is necessary for us to take up the very strong attitude that I have had to take up in connection with this matter. That being the position, I must make it clear that we intend to maintain the present position, that we cannot allow the Bill to pass into law if it contains any amendments, such as the present amendment which, according to Honourable Member's own representations, will leave the position vague and uncertain. That is our position and there must be no misunderstanding about that. I ask, what would be the position of Honourable Members if this amendment is passed. They will, as I have already pointed out, achieve absolutely nothing, they are not going to put this matter any more in their power, in fact less; they are going to create uncertainty in the country, in which the speculators will thrive and the people who are trying to do genuine business would suffer, and they are going back to their constituencies to tell people, what? They will say: "This wicked Government which we cannot remove is maintaining its position in spite of all we say".—(Loud applause from their audience). "We took a strong line in the Assembly, we brought them to book",—(Loud and prolonged applause, and a Voice: "How did you do it?") And what will be their answer? "We gave them a blank cheque". That is the result. This amendment gives us a blank cheque. To us, the Government, that you cannot trust to do what you want, the Government that you want to bring to book, you give us a completely free hand to do exactly what we want. I submit that it is a misconceived amendment, it will not fulfil the purpose of any one who has supported it, but it will play into the hands of speculators and do this country a very great deal of harm.

Now, let me turn to the merits of the case. Had time been available, I should be prepared to talk for three hours on this question, because, I have had no time at all in past debates to deal with the merits of this case. This case has been argued before us mainly as part of an attack on our currency policy and it has been argued very largely on the ground of the miserable condition of the poor agriculturists and based on the desire to help them. Now, Sir, there is no time for me to go into the whole question of currency policy and effects of devaluation. I pointed out the other day that devaluation of currency cannot increase the wealth of the country, it can merely alter its distribution. It serves some people's purposes, it makes the position of others worse. Obviously if a currency authority says: "We are going to make every rupee in the pockets of the people two-thirds of what it is at present"—and, Sir, it is very surprising that a course of that kind should have achieved the amazing popularity which it

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seems to have—if the currency authority takes that line, then clearly they are going to make the position worse for those who hold money, they are going to make the position worse for those who have fixed claims in money and they will make the position better for those who owe money and for those who have goods to sell. There is one very important class of people who have fixed claims in money and these are the labouring classes, working for a fixed money wage. I must confess, I was extremely surprised to hear my Honourable friend, Mr. Joshi, come out and support this amendment. But I must also congratulate my Honourable friend on the general tenor of his speech. He did make, if I may say so, a very comprehensive review of the situation and he pointed out that mere currency depreciation must, of course, adversely affect the wage-earner. But he said: "If you safeguard me against that and do not take any other steps, I may be worse off even then if you depreciate your currency". That, I think, is roughly what my Honourable friend said. He is perfectly right and I want to say something on the other steps afterwards. But there cannot be any doubt that if you can isolate the effects of devaluing your currency, it does amount to a cut in wages and that is why it is supported by my Honourable friend, Mr. Modv. There, Sir, you have the first clear issue, undoubtedly currency devaluation for the time being helps the industrialist. It reduces the real burden of all his fixed charges including, first and foremost, his wages bill. It is a secret cut in wages which does not have to be made good so quickly as a direct cut made have to be. Now, I cannot attempt to deal with all the facts, but I do wish to say something about the case of the actual agriculturist. There was a good deal of talk going on on the Benches opposite when an Honourable Member sitting behind me was making a speech yesterday and the Deputy President occupying your Chair called him to order for speaking on irrelevant matters. Now, Sir, if his is a debate on measures to help the position of the actual agriculturist in the country, I maintain that my Honourable friend's speech was the only relevant speech that has been made in the course of the whole debate. (Hear, hear.)

Sir Cowasji Jehangir: Including the repudiation of debts?

Mr. K. C. Neogy (Dacca Division: Non-Muhammadan Rural): Including the suggestion that debts borrowed by the cultivator should be disowned and never re-paid.

The Honourable Sir George Schuster: He did endeavour to make the House realise what the position of the cultivator actually is; and I am quite certain that if I could get a class of Honourable Members opposite to sit with me and go carefully through a list of the typical cultivators of this country and consider their position as it is today, they would come to the conclusion which I have done that anything like devaluing the rupee to 1s. 4d. or whatever level you like is not going to do any good in the present circumstances to the poor agriculturist. Sir, we are always accused on the Government side of not studying these matters and sitting idly with folded hands watching Rome burn, absolutely regardless of what are the

real facts of the situation. I must ask the House to believe that I have been trying to study the situation ever since I have been in India, and I have tried to examine the position of the actual cultivator to see whether I could support any proposals for devaluing the rupee on the basis of the benefit that that would give to him. And, Sir, I have come to the conclusion that it would fail entirely to benefit the ordinary average cultivator in this country. I have got a lot of typical budgets here and I wish I had the time to take the House through them. But I will take only one just to try and make the House face realities in this matter, because all our talk goes on on the basis of old clichés, talk about the wicked Government policy, organised robbery, and so on, and I have never heard a speech in any debate on this subject in this House which has tried to get down to realities and work out how it really would affect the actual people in this country, the biggest class of the people in this country, the actual agricultural producers working on the land. Now, Sir, take the case of one of the budgets of the ordinary small cultivator in the Punjab, and the Punjab Government has made some very careful inquiries into family budgets. Here you have a man,—I will put two parts of the year together,—both the *rabi* and *kharif* crops, who produces gram, wheat, *bhusa* (fodder), *jowar*, *bajra*, *dal*, *dhan* (paddy), *mung* (pulses) and *gur*. His total production of these crops for the year is worth Rs. 160-8-0. In addition to that, from his buffaloes he produces ghee worth Rs. 70. So his total produce is Rs. 230-8-0 and that is all produce for local sale. Now, the price of none of those articles is going to rise if you devalue the rupee, for they are all products for which there is only an internal market, except only the wheat and that will not rise, for the price of wheat in India is, owing to our import duty, well above world parity. The price of cotton or jute which is fixed according to international prices might, of course, rise—I mean it would be able to rise,—but for all these articles,—and over 75 per cent. of the production of the ordinary agriculturist in India does consist of articles which are sold locally,—for these articles the prices would not rise immediately on the devaluation of the rupee. Now, here is the case of an individual whose income is Rs. 230-8-0, and how does he spend that? As regards his food, flour and ghee, he exchanges some of his products for flour and uses some of his own ghee.

Mr. Muhammad Yamin Khan: May I ask the Honourable Member a question? When the Honourable Member said that the price of cotton may rise, did he mean long staple or short staple cotton?

The Honourable Sir George Schuster: What I meant was that, with regard to an article like cotton, the price of which depends on the international market, if you reduce the value of the rupee, the price of that,—because it is an international quotation,—would rise. And that must be so whether it is long or short staple cotton, because there is an international price of both.

Diwan Bahadur A. Ramaswami Mudaliar (Madras City: Non-Muhammadan Urban): And it will have no effect on the price of other articles?

The Honourable Sir George Schuster: I have not finished my statement of the case yet. I am taking the case of this particular small cultivator and I say his food which represents his own produce or what he gets locally in exchange for his own produce, costs him Rs. 60. His cultivation expenses, *i.e.*, seeds and smaller tools, cost him Rs. 12-12-0; and payment to *hamins*, that is, to the village blacksmith, et cetera, in kind, Rs. 5-8-0; and the maintenance of cattle, Rs. 70—that is, taking the value of his own produce. The total of that is Rs. 148. That represents about 63 per cent. of his total expenditure which he really meets in kind. Therefore, the price of the produce does not affect him at all as regards that 63 per cent. Then, he has cash purchases like salt, sugar, oil, tobacco, clothes, etc., the total of which is Rs. 36-12-0—that is about 15 per cent. of his total expenditure. Then he has certain rupee payments as on ceremonies—and it is an extraordinary thing that, even in these bad times, in every one of these small budgets, you find that something like 10 per cent. of the expenditure of the year goes on ceremonies. This comes to Rs. 19. Then, “bribe to petty official” (Laughter),—that is also a universal item,—Rs. 4.

Sir Cowasji Jehangir: Will that go up too?

The Honourable Sir George Schuster: That remains the same. The total of these two cash items—ceremonies and bribes—is Rs. 23; and then land revenue and water rate come to Rs. 29-8-0. The total of the items of expenditure which I have given comes to Rs. 237-4-0 against the value of produce Rs. 230-8-0. The balance in this case was covered by presents and a small loan. Now, Sir, there are in that budget items amounting to about Rs. 36 representing expenditure on articles that have to be purchased for money, the price of which undoubtedly will rise if the value of the rupee is reduced. The cost of his oil will certainly go up; the cost of his cloth will go up, the cost of his refined sugar will go up; and what I am trying to point out to the House is that on the one side this particular cultivator is producing nothing the value of which will go up if the value of the rupee goes down, but he is spending more than a seventh part of his income on buying goods the price of which will go up. And I maintain that, in that particular case, the particular cultivator will be actually damaged by devaluing the rupee. Now, my Honourable friend, Mr. Neogy, asked: “What about his debts?” Well, this particular individual has debts of over Rs. 600 on which, at 20 per cent. interest, he ought to be paying Rs. 120 a year. At present he is paying absolutely nothing; the money-lender is not collecting his interest. On the other hand, he is still allowing that man to spend Rs. 36 a year on necessary purchases and Rs. 19 on ceremonies. That really is the key to the position. At present in India, and India is still on a primitive basis with its primitive money-lending system, the main burden of the present depression is being taken not by the agriculturist but by the money-lender; and my Honourable friend behind me, who spoke yesterday, was, I am certain, right when he said that in good times the money-lender gets a bit more out of the cultivator, in bad times he is elastic in his demands and he goes short. And, in times of prosperity, what happens to the cultivator is that his credit becomes better and he gets more deeply into debt. He borrows as much as he can borrow and the money-lender is the shock absorber in this whole economy. It is he who is bearing the main burden at present and not the agriculturist. Now, Sir, I freely admit that if the present level of prices

continues, and if we are to go on for long in this state of affairs where the ordinary cultivator is not able to meet any of the interest due on his debts, a very serious situation may arise in India and that will have to be tackled. And I freely admit that out of this situation there are arising problems which Government ought to be considering. Honourable Members are quite justified in putting this point to us. Therefore, I very much welcome

1 P.M. the suggestions made by my Honourable friend, Mr. Mody, by my Honourable friend, Mr. Joshi, by Mr. Mitra and by Mr. James that Government ought to do something to consider what the effect of the present economic crisis with its quite unexampled depression is on the country, what it is leading us to and what steps must be taken. But that is in the line of direct action, and when I say direct action, I mean action which is directed at a particular evil which has been revealed as a result of scientific and careful inquiry. That is something quite different to shooting of a bolt into the blue in the way that those who ask for devaluation of the currency would have us do and trusting that some benefits from that will somehow come to the cultivator. As I have said, I am perfectly certain that none of the benefits in present circumstances will come to the cultivator, and that the whole of the profit will go in the first place some to the manufacturers, but mostly to the speculators and those who are dealing in export and import trade in India. I wish there was time to dwell more thoroughly on that subject, because I am convinced that Honourable Members who really have the interests of the agriculturists at heart would not support this kind of measure at present if they studied the situation. But they would come back from that study reinforced probably in their demand that we should do something on other lines to deal with the present situation.

A good deal has been said about the position in other countries. Again I wish I had time to deal with that fully. But a reflection which I want to put before the House is this: if one looks round the world today, one could find examples of countries which have tried practically every kind of policy and every variation of policy. You can point to the "old guard" like Holland and Switzerland which still remain on their pre-war gold standard. You can take the countries like France, Italy and Germany who have devaluated their currency and have now come back to the gold standard and are sticking to it like grim death: they have been through devaluation, and the one thing they are sure of is that they are not going through it again if they can help it. You can look at the whole sterling area which keeps a sort of middle course and I think the sanest course in the world today, where in terms of gold the currency has been depreciated by 30 to 40 per cent. Then you can turn and look at the extreme cases, and the most interesting case of all is undoubtedly the United States where this great experiment is being made by President Roosevelt today. In all those countries, I maintain, the position, is very much the same. You cannot point to any one country and say "they have tried a particular experiment and they have prosperity: we have not and, therefore, we are in misery". It is not true. Holland, where, I said, they had stuck to their old pre-war gold standard and are, therefore, at their pre-war parity—Honourable Members are quite wrong in saying that India is above its pre-war parity in relation to all other countries—we are far below those countries which are still on the old gold parity—Holland has a large foreign empire to deal with very like India in some respects: yet they have stuck to their original gold standard and I do not believe their position is any better or worse than most other countries. You find differences, of course, and there is one country, Japan, which may be quoted as having achieved success

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by means of currency depreciation. But that is just one of the exceptions which proves the rule, and a study of the case of Japan will be very instructive to all Honourable Members who are interested in this subject. It reveals the differences of the effects of that sort of policy on a country like Japan and a country like India. Japan went through a terrible struggle keeping on the gold standard several months after we went off. During the time of that struggle, they worked up the efficiency of their industries to something which the world has never seen in any other country before: then they let their exchange go and immediately gave all their manufacturers a considerable advantage; and having worked up their efficiency, as I say, to something far higher than we have in this country, with the advantage of exchange depreciation, they were able to capture the export markets of manufactured goods from other countries. In India we have no parallel to that at all. What are we suffering from? Take jute which used to be our biggest export: our jute exports used to be over 80 crores—they are now down to something like 17 crores. We are not suffering from the fact that our prices are too high, we are suffering from complete absence of demand; and if we depreciate our currency and put up rupee prices of jute, we shall not improve our position in the very slightest. In fact we may make it worse, because, if we put up the local internal prices, we will very probably encourage people to go back again to cultivate jute; we shall over-produce and the last state of the producer will be worse than the first. These things ought to be studied in relation to the needs of each country and the position of each country.

Now, before I leave the case of other countries, I just want to say something about the United States. My Honourable friend, Mr. Mody, seems to regard my predecessor, Sir Basil Blackett, very much like the curate of the story regarded his egg. He is "good in parts" and it suits my Honourable friend to quote him in parts; but if my Honourable friend had gone on to tell us what Sir Basil Blackett said about the United States in that speech from which he quoted, I think it would have been very instructive. I just want to read two passages: towards the end he says:

"But the interesting thing is that one after the other all President Roosevelt's devices have succeeded only to a very limited extent in raising prices; and undoubtedly the industrial codes have raised costs at least as much as they have raised prices in most cases."

And then, again, he says:

"The chief effect of the raising of prices in America so far has been to stop the tendency of world prices to rise and to threaten a fall in gold prices. That is not ultimately for the good of the world. The chief effect has been to initiate one more experiment in the competitive depreciation of currencies throughout the world, and unless we can get away from competitive depreciation of currencies and get something like co-operative action, I do not think we are going to reach the time of prosperity that is undoubtedly due to us."

Now, the Honourable Member, the Leader of the Independent Party, has said that circumstances have changed since he discussed this matter in London; and he had particularly in mind the state of affairs in the United States. If that has any effect on our position, I should say it is one quite contrary to that which my Honourable friend would have us take into account. It seems to me that what is happening in America

is showing up the dangers and difficulties of these attempts to create prosperity artificially by monkeying about with your currency and monetary policy. If ever a determined effort was made by a Government or rather by a single man who had the power to carry it out, that effort is being made in the United States today. But experience shows us that, as each step is taken, it produces reactions which were not thought about before. And then some new step has to be taken to correct those reactions. That, again, sets up further reactions, and the result is that President Roosevelt has been continuously, one week after another, forced to devise some new expedient to correct the undesirable effects of the last one he has undertaken. He has been led deeper and deeper into a morass of difficulties, and the result is a thing on which we ought to reflect very carefully. America is a very powerful country. It has, by virtue of an elected President who has enormous powers, a very effective executive. The President, as I say, is in a position to carry out things which practically no other Government in the world is in a position to do today. America in those circumstances can perhaps afford to take risks. She is very self-sufficient, she has no foreign obligations, she is not dependent on others; she depends on her own credit, and she can experiment with her internal economy, and what is happening to her credit or trade outside is to her a matter of minor importance. Now, in India, we are in a very different position. Unfortunately, we are a debtor country, and we are dependent on our foreign trade for all that margin of cash purchases to keep the country's standard of life and the economic machinery going. For us to take the risk of being led further and further, as President Roosevelt has done, is a course which, I submit, no Government, with a full sense of its responsibility, could possibly undertake. And I wish to ask the House particularly to realise this. Any step of devaluation will be only the first step in the general demand. It is the most insidious drug that can possibly be administered to a patient. I admit, it may be a stimulus to a certain portion of the economic body, but it is a most dangerous drug, a most dangerous stimulant, the use of which encourages the demand. It can at best, as a friend of mine who was Finance Minister in New Zealand said, it can at best be described as a "cocktail bountv". It gives an immediate fillip possibly to certain industries, but as soon as the effect of that is worn off, things are as before except that a demand for more will have been created and, if we were to start upon this course, no one can say what would be the end. The final end is always a day of reckoning which brings upon countries results which were never contemplated. One of the most interesting things in all the discussions I had in London this year was to see how the French, who had been through this process of devaluation, regarded the possibility of further devaluation. They simply dared not face it; their small monied classes have seen their fortunes diminish to one-fifth of what they were before. They dare not put the country through that again. Sir, these are the sort of lessons that we ought to learn, and before Honourable Members ask us to embark on courses of this kind, they ought to reckon out very carefully the effects on India, on India's public finances on the one side and the benefits on the other, and they will find that the benefits, such as there are, would go to persons that they would not wish to benefit, and that the adverse effects may jeopardise India's future for a long time. But, Sir, that is all rather outside the present issue. The present issue is merely this amendment which is meaningless, but which yet will have the serious practical effect of leaving the position

[Sir George Schuster.]

vague and opening the door to speculation. In that period of speculation, all those interests that really need the benefit will suffer, and no one, neither this Legislature nor any other interest in the country, will derive any good at all. There is one sound course for this House to adopt, and that is to get this Reserve Bank set up as soon as possible. Then they will have the control of currency taken out of the hands of this "wicked and unsympathetic" Government, they will then be able to influence the course of affairs much more effectively than they can at present. That is my real answer to all that my friend, Mr. Mody, has said. Help us, in our honest endeavour to help you and get this Reserve Bank set up. We are taking great risks. If we really wanted to retain control and a rigid official system which disregards public opinion, then we would be making delays as regards this legislation. Honourable Members have not realised what courage we are showing in asking them to adopt this course. That, from their point of view at least, is the right course, and, on these grounds, I strongly advise every one in this House not to vote for this amendment, but to let us proceed with this Bill and get the Reserve Bank set up as quickly as possible. (Loud and Prolonged Applause.)

Mr. B. Sitaramaraju (Ganjam *cum* Vizagapatam: Non-Muhammadan Rural): Sir, as the Mover of the amendment for 1s. 4d., I owe it to the House a personal explanation. Some Honourable Members in this House have suggested that I was not serious in moving that amendment. It is certainly not correct to suggest that. Not only now, but even on the occasion where the remark was made, I said it was not true. The reason why my seriousness in moving this amendment is questioned is, it is suggested, I did not make a long speech. I made it very clear in that speech that as I had taken a very long time on this very question on the first day of the debate, I would not be justified in repeating the remarks which I had made on this question. We have been hearing very strange economic theories and reasonings of late; to that may be added this theory that, in order to prove that a man is really serious, he should make a long speech. Sir, I was never more serious in my life than on this amendment, nor do I ever move any amendment without being serious.

Mr. President (The Honourable Sir Shanmukham Chetty): Mr. Sarma's amendment will be put to the vote first. If that is adopted by the House, then the other amendments fail. If Mr. Sarma's amendment is negatived, then Mr. Mitra's amendment will be put to the vote; and if that is negatived, then Mr. Raju's amendment will be put to the vote.

The question is:

"That for clause 40 of the Bill, the following be substituted:—

"40. The Bank shall sell to any person who makes a demand in that behalf and pays the purchase price in legal tender currency at its office in Bombay, Calcutta, Delhi, Madras or Rangoon, gold for delivery at the Bombay Mint at the rate which may be fixed by the law which is in force on the day prior to the coming into force of this section or, at the option of the Bank, sterling for immediate delivery in London at the rate and subject to the conditions under which, on the aforesaid day, the Governor General in Council is, by law, under obligation to sell sterling."

The Assembly divided :

AYES—45.

Abdul Matin Chaudhury, Mr.
Azhar Ali, Mr. Muhammad.
Bagla, Lala Rameshwar Prasad.
Bhuput Sing, Mr.
Chandi Mal Gola, Bhagat.
Chinoy, Mr. Rahimtoola M.
Dumasia, Mr. N. M.
Dutt, Mr. Amar Nath.
Hari Raj Swarup, Lala.
Hoon, Mr. A.
Isra, Chaudhri.
Jadhav, Mr. B. V.
Jehangir, Sir Cowasji.
Jog, Mr. S. G.
Joshi, Mr. N. M.
Lalchand Navalrai, Mr.
Liladhar Chaudhury, Seth.
Mahapatra, Mr. Sitakanta.
Maswood Ahmad, Mr. M.
Mitra, Mr. S. C.
Mody, Mr. H. P.
Mudaliar, Diwan Bahadur A. Rama-
swami.

Murtuza Saheb Bahadur, Maulvi
Sayyid.
Neogy, Mr. K. C.
Pandit, Rao Bahadur S. R.
Pandya, Mr. Vidya Sagar.
Parma Nand, Bhai.
Patil, Rao Bahadur B. L.
Phookun, Mr. T. R.
Puri, Mr. B. R.
Ranga Iyer, Mr. C. S.
Reddi, Mr. P. G.
Roy, Kumar G. R.
Sadiq Hasan, Shaikh.
Sarda, Diwan Bahadur Harbilas.
Sarma, Mr. R. S.
Scott, Mr. J. Ramsay.
Sen, Mr. S. C.
Sen, Pandit Satyendra Nath.
Shafee Daoodi, Maulvi Muhammad.
Singh, Mr. Gava Prasad.
Sitaramaraju, Mr. B.
Thampam, Mr. K. P.
Uppi Saheb Bahadur, Mr.
Ziauddin Ahmad, Dr.

NOES—63.

Abdul Aziz, Khan Bahadur Mian.
Ahmad Nawaz Khan, Major Nawab.
Allah Baksh Khan Tiwana, Khan
Bahadur Malik.
Anklesaria, Mr. N. N.
Anwar-ul-Azim, Mr. Muhammad.
Ayengar, Mr. V. K. A. Aravamudha.
Bajpai, Mr. G. S.
Bartley, Mr. J.
Bhore, The Honourable Sir Joseph.
Bower, Mr. E. H. M.
Chatarji, Mr. J. M.
Clow, Mr. A. G.
Cox, Mr. A. R.
Dalal, Dr. R. D.
DeSouza, Dr. F. X.
Dillon, Mr. W.
Fazal Haq Piracha, Khan Sahib
Shaikh.
Graham, Sir Lancelot.
Grantham, Mr. S. G.
Haig, The Honourable Sir Harry.
Harhaus Singh Brar, Sirdar.
Hezlett, Mr. J.
Hudson, Sir Leslie.
Ibrahim Ali Khan, Lieut. Nawab
Muhammad.
Ishwarsingji, Nawab Naharsingji.
Ismail Ali Khan, Kunwar Hajee.
Ismail Khan, Haji Chaudhury
Muhammad.
James, Mr. F. E.
Jawahar Singh, Sardar Bahadur
Sardar.
Lal Chand, Honv. Captain Rao
Bahadur Chaudhri.
Lee, Mr. D. J. N.

Mackenzie, Mr. R. T. H.
Macmillan, Mr. A. M.
Metcalfe, Mr. H. A. F.
Millar, Mr. E. S.
Miligan, Mr. J. A.
Mitter, The Honourable Sir
Brojendra.
Morgan, Mr. G.
Mujumdar, Sardar G. N.
Mukherjee, Rai Bahadur S. C.
Nihal Singh, Sardar.
Noyce, The Honourable Sir Frank.
Rafuddin Ahmad, Khan Bahadur
Maulvi.
Raisman, Mr. A.
Rajah, Rao Bahadur M. C.
Ramakrishna, Mr. V.
Rau, Mr. P. R.
Schuster, The Honourable Sir George.
Sher Muhammad Khan Gakhar,
Captain.
Singh, Kumar Gupteshwar Prasad.
Singh, Mr. Pradyumna Prasad.
Sinha, Rai Bahadur Madan Mohan.
Smith, Mr. R.
Sohan Singh, Sirdar.
Studd, Mr. E.
Suhrawardy, Sir Abdulla-al-Māmūn.
Talib Mehdi Khan, Nawab Major
Malik.
Tottenham, Mr. G. R. F.
Trivedi, Mr. C. M.
Wajihuddin, Khan Bahadur Haji.
Wilayatullah, Khan Bahadur H. M.
Yakub, Sir Muhammad.
Yamin Khan, Mr. Muhammad.

The motion was negatived.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in clause 40 of the Bill, for the words 'not below one shilling and five pence and forty-nine sixty-fourths of a penny for a rupee' the following be substituted:

'to be announced by the Governor General in Council after consultation with expert opinion in the country at the time of bringing this Act into operation and that question shall be placed subsequently before the Central Legislature for its confirmation'."

The motion was negatived.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in clause 40 of the Bill, for the words 'one shilling and five pence and forty-nine sixty-fourths' the words 'one shilling three pence and forty-nine sixty-fourths' be substituted."

Dr. Ziauddin Ahmad: Sir, I move:

"That for the words 'forty-nine sixty-fourths' the words 'twenty-nine thirty-seconds' be substituted."

The motion was adopted.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in clause 40 of the Bill, for the words 'one shilling and five pence and forty-nine sixty-fourths' the words 'one shilling three pence and twenty-nine thirty-seconds' be substituted.

The Assembly divided:

AYES—47.

Abdul Matin Chaudhury, Mr.
Azhar Ali, Mr. Muhammad.
Bagla, Lala Rameshwar Prasad.
Bhuput Singh, Mr.
Chandi Mal Gola, Bhagat.
Chinoy, Mr. Rahimtoola M.
Dumasia, Mr. N. M.
Dutt, Mr. Amar Nath.
Fazal Haq Piracha, Khan Sahib
Shaikh.
Harbans Singh Brar, Sirdar.
Hari Raj Swarup, Lala,
Hoon, Mr. A.
Ibrahim Ali Khan, Lieut. Nawab
Muhammad.
Ismail Khan, Haji Chaudhury
Muhammad.
Isra, Chaudhri.
Jadhav, Mr. B. V.
Jehangir, Sir Cowasji.
Jog, Mr. S. G.
Lalchand Navalrai, Mr.
Liladhar Chaudhury, Seth.
Mahapatra, Mr. Sitakanta.
Maswood Ahmad, Mr. M.

Mitra, Mr. S. C.
Mody, Mr. H. P.
Murtuza Saheb Bahadur, Maulvi
Sayyid.
Neogy, Mr. K. C.
Pandit, Rao Bahadur S. R.
Pandya, Mr. Vidya Sagar.
Parma Nand, Bhai.
Patil, Rao Bahadur B. L.
Phookun, Mr. T. R.
Puri, Mr. B. R.
Reddi, Mr. P. G.
Roy, Kumar G. R.
Sadiq Hasan, Shaikh.
Sarda, Diwan Bahadur Harbilas.
Sarma, Mr. R. S.
Scott, Mr. J. Ramsay.
Sen, Mr. S. C.
Sen, Pandit Satyendra Nath.
Shafee Daoodi, Maulvi Muhammad.
Singh, Mr. Gaya Prasad.
Sitaramaraju, Mr. B.
Sohan Singh, Sirdar.
Thampan, Mr. K. P.
Uppi Saheb Bahadur, Mr.
Ziauddin Ahmad, Dr.

NOES—57.

Abdul Aziz, Khan Bahadur Mian.
 Ahmad Nawaz Khan, Major Nawab.
 Allah Baksh Khan Tiwana, Khan Bahadur Malik.
 Anklesaria, Mr. N. N.
 Anwar-ul-Azim, Mr. Muhammad.
 Ayangar, Mr. V. K. A. Aravamudha.
 Bajpai, Mr. G. S.
 Bartley, Mr. J.
 Bhole, The Honourable Sir Joseph.
 Bower, Mr. E. H. M.
 Chatarji, Mr. J. M.
 Clow, Mr. A. G.
 Cox, Mr. A. R.
 Dalal, Dr. R. D.
 DeSouza, Dr. F. X.
 Dillon, Mr. W.
 Graham, Sir Lancelot.
 Grantham, Mr. S. G.
 Haig, The Honourable Sir Harry.
 Hezlett, Mr. J.
 Hudson, Sir Leslie.
 Ishwarsingji, Nawab Naharsingji.
 James, Mr. F. E.
 Jawahar Singh, Sardar Bahadur Sardar.
 Lal Chand, Hony. Captain Rao Bahadur Chaudhri.
 Lee, Mr. D. J. N.
 Mackenzie, Mr. R. T. H.
 Macmillan, Mr. A. M.
 Metcalfe, Mr. H. A. F.

Millar, Mr. E. S.
 Milligan, Mr. J. A.
 Mitter, The Honourable Sir Brojendra.
 Morgan, Mr. G.
 Mujumdar, Sardar G. N.
 Mukherjee, Rai Bahadur S. C.
 Nihal Singh, Sardar.
 Noyce, The Honourable Sir Frank.
 Rafiuddin Ahmad, Khan Bahadur Maulvi.
 Raisman, Mr. A.
 Rajah, Rao Bahadur M. C.
 Ramakrishna, Mr. V.
 Rau, Mr. P. R.
 Schuster, The Honourable Sir George.
 Sher Muhammad Khan Gakhar, Captain.
 Singh, Kumar Gupteshwar Prasad.
 Singh, Mr. Pradyumna Prasad.
 Sinha, Rai Bahadur Madan Mohan.
 Smith, Mr. R.
 Studd, Mr. E.
 Suhrawardy, Sir Abdulla-al-Mámūn.
 Talib Mehdi Khan, Nawab Major Malik.
 Tottenham, Mr. G. R. F.
 Trivedi, Mr. C. M.
 Wajihuddin, Khan Bahadur Haji.
 Wilayatullah, Khan Bahadur H. M.
 Yakub, Sir Muhammad.
 Yamin Khan, Mr. Muhammad.

The motion was negatived.

Clause 40 was added to the Bill.

The Assembly then adjourned for Lunch till Half Past Two of the Clock.

The Assembly re-assembled after Lunch at Half Past Two of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

Mr. President (The Honourable Sir Shanmukham Chetty): Does any Honourable Member desire any one of his amendments to clause 41 to be put to the vote?

Several Honourable Members: No, Sir.

Clause 41 was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 42 stand part of the Bill."

Amendments are printed in the consolidated list, Part III.

Mr. Thampan, amendment No. 295.

Mr K. P. Thampan (West Coast and Nilgiris: Non-Muhammadian Rural): Sir, I beg to move:

"That to sub-clause (2) of clause 42 of the Bill, the following proviso be added:

'Provided that the amount so deposited by a scheduled bank may be drawn upon by the bank concerned for meeting its liabilities subject to such rules and regulations as may be framed by the Central Board in that behalf.'"

[Mr. K. P. Thampan.]

Sir, the object of my amendment is to enable the scheduled banks to draw for temporary purposes upon the deposits made with the Central Bank. It may happen that, to meet an emergency, the banks particularly those banks that have not very much above the minimum capital of five lakhs, might want cash, and in such a case they may be allowed to draw upon the Central Bank subject to certain conditions. These conditions may be prescribed by the Central Board. Similar provisions are not rare elsewhere, for, in the constitution of the South African Bank which is quoted here very often, we find article 30 reads thus:

"No bank may make new loans or pay dividend until required reserve balance is restored."

They are given the right to draw upon it, but until the prescribed minimum is restored, the Bank is not permitted to advance loans. In the United States of America, in the Federal Reserve Bank also, there is an analogous provision. Article 19 says:

"Prescribed balance may, under rules and penalties laid down by Federal Reserve Board, be drawn upon by member bank for meeting existing liabilities, provided no new loans are made or dividends are paid until Statutory balance is restored."

No dividend can be given and no new loans advanced by the Bank until the statutory minimum is restored. That is all they require. Here there is no provision for anything of that kind. Even with regard to the return of deposits when these Banks go into liquidation, the provisions are not satisfactory. I am one of those who believe that the compulsory deposit which is adopted in this Bill is not of any material advantage to many indigenous banks. Now that the House has given its decision about that, I do not want to interfere with it. I only want that in the case of those banks who wish to draw upon their resources to meet a contingency, they must be permitted to do so. Of course, very rigorous conditions to ensure that the privilege is not abused may be laid down by the Central Board.

Sir, I move my amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That to sub-clause (1) of clause 42 of the Bill, the following proviso be added:

'Provided that the amount so deposited by a scheduled bank may be drawn upon by the bank concerned for meeting its liabilities subject to such rules and regulations as may be framed by the Central Board in that behalf'."

Dr. Ziauddin Ahmad: Sir, I would have very much liked if this question of compulsory deposit was not provided for in the Statute, but was left to the regulations, and the regulations might have been framed in the light of the experience gained. This is a novel scheme. We have taken it from the United States of America and also from those countries which copied out the United States model. I think it is not a desirable thing. At present we are in great financial difficulties, and it will be a great handicap if we ask the Bank at this stage to have compulsory deposits. Their dividends would diminish and it will adversely affect the prosperity of the Bank. What my friend really wants is that the scheduled banks should be permitted to draw the money on the securities of the deposits. That is a very reasonable demand, but the better thing would have been

not to have asked for the deposit at all. That is really the right way of doing things and we ought to give them loans on other securities. I beg to support the amendment.

The Honourable Sir George Schuster: I would like to clear up the position. The provision for compulsory deposits was introduced after very careful discussion and, as my Honourable friend is probably aware, we met the banks and reduced the amount so that we are now starting off with a very much lower figure for minimum deposits than is provided for in the South African Act. That in itself makes a considerable difference. But the real point is this that, if a scheduled bank requires cash to help itself, then the course for it is to apply to the Reserve Bank for an advance, and the function of the Reserve Bank will be to help the scheduled banks when they deserve help. So, it really comes to the same thing from the point of view of practical effect. If the bank has five lakhs as its minimum deposit with the Reserve Bank and it is in need of funds for itself, it can go to the Reserve Bank and ask for a loan from that Bank. It has very much the effect as if it goes to the Reserve Bank and says: "May I withdraw part of my five lakhs and pay a ten per cent. penalty on it?"

Mr. K. P. Thampan: Supposing the Reserve Bank refuses to pay?

The Honourable Sir George Schuster: You have got to trust the Reserve Bank to exercise a proper control over the banking system of the country and that is really why, although the practical effect may be the same, we prefer to leave it on the lines that we have laid down, namely, that compulsory deposits must be maintained, and when the Bank wants accommodation, it has got to take that in the form of a loan from the Reserve Bank. Of course, if you do not trust the Reserve Bank and you think that the Reserve Bank is going to exercise its discretion unwisely or unfairly, then you ought not to have the Bank at all. But we think that it is the proper function of the Reserve Bank to control the credit position of the country, and, in order to enable it to exercise that function, one of the most important provisions we have got is this provision for compulsory minimum deposits. My Honourable friend, Dr. Ziauddin Ahmad, objected to the whole principle. I have not got the time to deal in great detail with his points, but I would inform him that we did satisfy all the bank representatives who came before us that if the minimum provision was reduced to this figure of five per cent. and two per cent. it would not be unreasonable and that, if facilities could be given for movement of funds from one branch to another, the practical effect would not be to force the ordinary commercial banks in the country to keep more money tied up in reserves than they do at present, except in cases where they are really working on too fine a margin for the position to be sound. I can recommend this clause with confidence for approval by the House after full discussion on this subject. Sir, I must oppose the amendment.

Dr. Ziauddin Ahmad: Did you ask the representatives of the banks whether they would prefer no deposit at all?

The Honourable Sir George Schuster: There is no question about that. They would all have preferred that from their point of view. I am not saying that they asked for this provision.

Mr. K. P. Thampan: Where is the provision for the banks to withdraw their deposits if they go into liquidation?

The Honourable Sir George Schuster: I am afraid I did not hear what my Honourable friend said. But if my Honourable friend would ask me a question outside, I will answer him. I suggest it will be difficult for me to deal with these questions now. I cannot stand cross-examination in the course of the debate, but I should be glad to give my Honourable friend all the information outside.

Mr. K. P. Thampan: I am not cross-examining my Honourable friend. I only want to know whether, in the case of a scheduled bank going into liquidation, there is any provision for withdrawing the deposit.

The Honourable Sir George Schuster: After going into liquidation, there is no longer an obligation on the part of a scheduled bank to maintain any minimum deposit, for it ceases to exist as a scheduled bank at all.

The Honourable Sir Brojendra Mitter (Law Member): The liquidator will take the money out.

Mr. K. P. Thampan: Sir, I beg leave of the House to withdraw my amendment.

The amendment was, by leave of the Assembly, withdrawn.

Dr. Ziauddin Ahmad: Sir, I beg to move:

"That after the *Explanation* to sub-clause (1) of clause 42 of the Bill, the following further *Explanation* be inserted:

Explanation.—Demand liabilities means liabilities payable within thirty days or subject to less than thirty days' notice before payment:

Time liabilities means liabilities payable after thirty days or subject to not less than thirty days' notice before payment."

Sir, in this particular clause, two expressions are used "demand liabilities", and "time liabilities", but these expressions are not defined. I do not know what is the unit of time which my Honourable friend contemplates. Is it the geological unit of time which is really about one million years, or is it the astronomical unit of time which may extend to billions of years or is it the terrestrial unit of time that we all know? I think we should define the word "timely" more accurately. They will be misunderstood by persons who have not got a detailed knowledge of banking operations. We have said repeatedly on the floor of the House that the South African constitution is the last word on the subject. I find in the South African constitution the same expressions which are used here. I also find that the same expressions are used in the United States constitution. Sir Cecil Kisch says in his book on Central Banks on page 436 that:

"Demand deposits comprise deposits payable within thirty days, and time deposits all deposits payable after thirty days."

It is really necessary to clarify this particular clause, and, if we follow the South African and the United States model, we must introduce a proviso at the end. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That after the *Explanation* to sub-clause (1) of clause 42 of the Bill, the following further *Explanation* be inserted:

Explanation.—Demand liabilities means liabilities payable within thirty days or subject to less than thirty days' notice before payment;

Time liabilities means liabilities payable after thirty days or subject to not less than thirty days' notice before payment."

The Honourable Sir George Schuster: I do not think that the amendment of my Honourable friend will do much towards clarifying the situation, but it will certainly make a substantial change. We discussed this provision in the Select Committee with the representatives of bankers on the understanding that demand liabilities and the time liabilities did not mean what they mean in the South African Act or what they mean in the United States. If you extend the meaning of the term "demand liabilities" as wide as to cover everything which is repayable within thirty days, obviously you bring in a much larger proportion of the liabilities, and in our provision it is five per cent demand liabilities and two per cent time liabilities, so that my Honourable friend's amendment would increase the amount that the banks have to keep as compulsory deposits very substantially. I am rather surprised to find my Honourable friend proposing that, considering that he is against the system altogether. As regards clarification, that is not really necessary. It is quite clearly understood that demand liabilities mean current account liabilities and time liabilities would mean money held on deposit accounts. There is no difficulty in understanding these phrases. I understood my Honourable friend to say that there may be a difficulty in understanding what these expressions mean by people who are not acquainted with banking practice and who are ignorant of banking terms. But I trust that nobody who is concerned with the interpretation of this clause will be a person who is ignorant of banking conditions and banking terms. This is the concern of the scheduled banks and the Reserve Bank, and it is not a matter in which a layman would be concerned at all. In any case, I must oppose the amendment, because, as I pointed out, it would alter very substantially the provision for reserves which we have after full consideration inserted in this Bill.

Dr. Ziauddin Ahmad: How will the savings bank be affected?

The Honourable Sir George Schuster: We did consider the question of savings bank account, and some bankers put the view to us that the money held in savings bank account represented much less vulnerable liabilities than the liabilities on ordinary accounts, but we were unable to recommend any special provision on that account.

Dr. Ziauddin Ahmad: Accounts kept in the savings bank, where will they come?

Mr. President (The Honourable Sir Shanmukham Chetty): They will come under demand liabilities.

The Honourable Sir George Schuster: It depends upon the terms on which money is held. There are all sorts of conditions and different banks run these accounts differently. The matter will have to be dealt with according to the terms of each particular arrangement.

Dr. Ziauddin Ahmad: I do not want to have a discussion on this topic. I find these expressions are taken from the United States where English is understood. The interpretation of time liabilities is different from the

[**Dr. Ziauddin Ahmad.**]
interpretation of demand liabilities. Cases may be brought in law courts and the *Black Dictionary* may be consulted whether the word is used in American sense or in Schuster's sense.

The Honourable Sir Gorge Schuster: I quite acknowledge that we propose to adopt quite a different definition to what is adopted in the United States. As regards the position of the savings bank accounts, I would refer my Honourable friend to the report of the Select Committee at the top of page 8, column 2. We have dealt with the subject there.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That after the *Explanation* to sub-clause (1) of clause 42 of the Bill, the following further *Explanation* be inserted:

Explanation.—Demand liabilities means liabilities payable within thirty days or subject to less than thirty days' notice before payment:

Time liabilities means liabilities payable after thirty days or subject to not less than thirty days' notice before payment."

The motion was negatived.

Dr. Ziauddin Ahmad: Sir, I move:

"That in sub-clause (2) of clause 42 of the Bill, for the words 'each Friday, or if Friday' the words 'on the last working day of each month and if the last working day' be substituted."

Sir, I will again quote the constitution of South Africa which, as we have repeatedly said, is really the last word on the subject. On page 14 of the constitution, it is provided that these demands are to be made up to the day of the close of business of every month and signed by the General Manager. That is, they demand these returns not every week, but every month. The other difficulty is that, in the same clause, we have provided later on that some of the banks, which lie at great distances, will be permitted to supply monthly returns. So some banks will supply monthly returns and some will supply weekly returns, and how are you going to bring them all together in a common table? Unfortunately a month is not an exact multiple of a week. A month is equal to $4\frac{1}{2}$ weeks and it will be very hard to bring them all together in a common table. Therefore, it is better to demand these returns not every week, but every month, specially when we have agreed that some of the banks will be asked to send their accounts not every Friday, but at the end of each month. Besides, it will be giving too much trouble to the banks to ask them to prepare accounts every Friday. It will involve unnecessary labour and will not do much good. So, in order to bring uniformity in the whole proceeding, so that all the banks may send their reports at the same time, and in order that we may be in a position to compare the statistics, I request the Honourable the Finance Member to accept this amendment of mine. Otherwise, if some banks send weekly returns and some send monthly returns, it will be very difficult to prepare a common table that may be of practical use. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (2) of clause 42 of the Bill, for the words 'each Friday, or if Friday' the words 'on the last working day of each month and if the last working day' be substituted."

The Honourable Sir George Schuster: Sir, this again is a matter on which, I submit, that those, who have a practical knowledge of banking and the practice of banks, are the best judges, and this clause was worked out with the banking representatives as likely to be most convenient to the bankers. I do not know where my Honourable friend gets his information from, but both from the point of view of the Reserve Bank which requires to get these returns and from the point of view of the banks which have to submit them, the weekly return made up to Friday is much the most convenient arrangement. Sir, I must oppose the amendment.

Dr. Ziauddin Ahmad: May I ask a question? Is it not a fact that some banks will be permitted to send monthly returns? And how will you prepare a common table?

The Honourable Sir George Schuster: I find it difficult to follow these questions, but what I would point out to my Honourable friend is that all these provisions were worked out very carefully after long thought. They are all of them no doubt capable of improvement, but I suggest that we have reached a stage when we may very well give a trial to the provisions of the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (2) of clause 42 of the Bill, for the words 'each Friday, or if Friday' the words 'on the last working day of each month, and if the last working day' be substituted."

The motion was negatived.

Mr. V. K. Aravamudha Ayangar (Government of India: Nominated Official): Sir, I beg to move:

"That in sub-clause (2) of clause 42 of the Bill, for the words 'next working day' the words 'preceding working day', and for the words 'three days' the words 'two working days' be substituted."

The object of this amendment is to make the working of this sub-clause quite simple for the banks, specially the second suggestion that for "three days" the words "two working days" be substituted. This is proposed so that the bank employees may not be overworked or have to work on holidays. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (2) of clause 42 of the Bill, for the words 'next working day' the words 'preceding working day', and for the words 'three days' the words 'two working days' be substituted."

The motion was adopted.

Dr. Ziauddin Ahmad: Sir, I beg to move:

"That in sub-clause (3) of clause 42 of the Bill, for the word 'three', in the sixth line, the word 'one' be substituted, and after the words 'bank rate', in the seventh line, the words 'with a minimum of six per cent. per annum' be inserted."

[Dr. Ziauddin Ahmad:]

My object in moving this amendment is that the provision of this clause may be the same as in clause 37(2). The Honourable the Finance Member has really got one reply and that is that these provisions have been carefully thought out and there is no room for changing a comma or a full-stop now, and he is supported by the votes of the House. Sir, on the floor of the House we have been advancing arguments, but I have not heard a reply to a single argument except that he is opposed. The only argument that I have so far heard is that the whole matter was carefully thought out and, therefore, it ought to be accepted. If that is so, why waste the time of the House at all? The Government could have moved that the Select Committee's report might be accepted and then votes might be taken and then there would have been no need to discuss it clause by clause. Therefore, in future, I think we should change the constitution and take votes once for all instead of dividing the discussion into three stages.

Mr. E. Studd (Bengal: European): Sir, may I point out to the Honourable Member that all these provisions have been discussed with the representatives of the banks and accepted by them as well as by the Joint Select Committee? That seems to me a much stronger argument for our acceptance.

Dr. Ziauddin Ahmad: That is just the point I was coming to. If these have been thought out by the Select Committee and accepted by the banks, it is useless for us to discuss the Bill here, and I suggest that the better method would have been to adopt the Select Committee's report by a simple motion and there would have been then no need to discuss all the clauses. We are here to give our votes not blindfolded, but in full verse, and we bring forward arguments to support our amendments and the only reply that we get is that these have been carefully thought out and there is no need to discuss them. Arguments are to be met by arguments and not by general remarks or by votes, as my Honourable friend, Mr. Gaya Prasad Singh, says. My request is that already we have made a certain provision in clause 37(2) and, as this is exactly of the same type as that, we should bring it in the same form and there is no need to have any new formula. This is about the penalty. The penalty proposed is about three per cent. higher than the bank rate, and I suggest that instead of three per cent. which is too high, we should have only one per cent. higher which itself is very high. Then I suggest that the minimum should be six per cent per annum. That is my suggestion and we have provided the same figures in clause 37(2). There I suggest that the figure adopted in clause 37(2) should be adopted here also. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (3) of clause 42 of the Bill, for the word 'three', in the sixth line, the word 'one' be substituted, and after the words 'bank rate', in the seventh line, the words 'with a minimum of six per cent. per annum' be inserted."

The Honourable Sir George Schuster: Sir, I should like to suggest to you, in order to lengthen the proceedings of this House which seems to be highly desirable from every point of view, that in future legislation a fourth stage be introduced; that is to say, after the Select Committee has

reported; the Select Committee ought to appear before my Honourable friend, the learned Doctor, and spend five or six weeks with him discussing every clause, and only then should we come before the Legislature. That, I submit, would suit everybody very well.

Dr. Ziauddin Ahmad: Will you explain how the Committee will appear before me if I happen to be a member myself?

The Honourable Sir George Schuster: I need not answer that. But I think that my Honourable friend is extremely unfair to me. I consider that I have given a very good answer to every point that he has put up. I have not contented myself with that easy excuse of saying that this has been considered and, therefore, we cannot consider it again, but, on some of these minor technical questions, I do submit to my Honourable friend that, while he may be perfectly right or we may be right, nevertheless we have reached a stage now at which it is important to get the Bill into force. And as our provisions represent the result of careful discussion round the table occupying many days and discussions also with the banking representatives, I submit that at least the presumption is that our proposals are reasonably sensible and satisfactory. My Honourable friend's proposal in these amendments seem to me to be quite unsuitable. The whole object of this clause is to have a high penalty rate; the bankers themselves do not object to it, and I see no reason at all why we should reduce it. That refers to the first amendment.

My Honourable friend's second amendment seems to me to be quite inconsistent with the whole plan. Here we are attempting to provide a penal rate of interest: my Honourable friend says, there must be a maximum of six per cent. But six per cent is a rate which is, I am afraid, not infrequently exceeded in India. Therefore, in times of high money rates, it would even pay the banks to get into this position. They would not merely avoid having to pay a penal rate of interest, but would in fact get a concessional rate of interest when they abuse their privileges under this particular clause. I submit, the proposal is quite an illogical one and inconsistent with the whole idea on which this provision has been framed. On these grounds, I oppose the amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (3) of clause 42 of the Bill, for the word 'three', in the sixth line, the word 'one' be substituted, and after the words 'bank rate', in the seventh line, the words 'with a minimum of six per cent. per annum' be inserted."

The motion was negatived.

Dr. Ziauddin Ahmad: Sir, I would like to move Nos. 304 and 305 together as they relate to the same subject, like the two previous amendments. I move:

"That in sub-clause (3) of clause 42 of the Bill, for the word 'five', in the twelfth line, the word 'two' be substituted, and that after the words 'bank rate', in the thirteenth line, the words 'with a minimum of nine per cent. per annum' be inserted."

My arguments are the same as in the previous case: I think we are charging high rates of interest and it amounts to usury: it is a very high rate of interest and, from the banks' point of view, it will prejudicially affect their interests. Sir, I move.

The Honourable Sir George Schuster: Sir, I must oppose both these amendments on the same grounds on which I dealt with the two preceding ones.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (3) of clause 42 of the Bill, for the word 'five', in the twelfth line, the word 'two' be substituted, and that after the words 'bank rate', in the thirteenth line, the words 'with a minimum of nine per cent. per annum' be inserted."

The motion was negatived.

Dr. Ziauddin Ahmad: Sir, I beg to move:

"That for part (a) of sub-clause (6) of clause 42 of the Bill, the following be substituted:

'(a) has a deposit of an aggregate amount of not less than ten lakhs of rupees, and'."

In the original clause, it was provided that it should have a paid up capital and reserve of so much. I maintain that the amount to be fixed should not be so much on the share capital or on the reserve, but on the deposits. There are certain banks which have got very small capital, but have very large deposits with them, and they will be better off than the banks which have got large share capital but smaller deposits: a provision of this kind should be introduced more in the interests of depositors than of shareholders and, therefore, we ought to safeguard the interests of depositors more than the shareholders. Whatever proportion we fix should be not on the share capital, but on the deposits in that Bank. For these reasons, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That for part (a) of sub-clause (6) of clause 42 of the Bill, the following be substituted:

'(a) has a deposit of an aggregate amount of not less than ten lakhs of rupees, and'."

The Honourable Sir George Schuster: Sir, this again is a matter that was considered in the Select Committee. I would refer my Honourable friend to the second paragraph in the first column on page 8. We did consider this. My Honourable friend will on a moment's thought himself realise that the amount of the deposits is such a variable criterion that it is impossible to say from day to day what the deposits are, and it would not provide any sort of standard test: we shall have banks coming in and going out in a manner which it would be quite impossible to control. On these grounds, I oppose.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That for part (a) of sub-clause (6) of clause 42 of the Bill, the following be substituted:

'(a) has a deposit of an aggregate amount of not less than ten lakhs of rupees, and'."

The motion was negatived.

Mr. V. K. Aravamudha Ayangar: Sir, I rise to move:

"That in sub-clause (6) (b) of clause 42 of the Bill, for the word 'bank' the word 'company' be substituted."

The word originally used in sub-clause (6) was the word "company", but, owing to some oversight, the word "bank" has been substituted. "Bank" is not defined in sub-section (2) of section 2 of the Indian Companies Act. Therefore, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (6) (b) of clause 42 of the Bill, for the word 'bank' the word 'company' be substituted."

The motion was adopted.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 42, as amended, stand part of the Bill."

The motion was adopted.

Clause 42, as amended, was added to the Bill.

Clause 43 was added to the Bill.

Clause 44 was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 45 stand part of the Bill."

Dr. Ziauddin Ahmad: Sir, I beg to move:

"That after clause 44 of the Bill, the following new clause be inserted and subsequent clauses be re-numbered accordingly:

'45. The Bank shall not purchase shares of any bank outside the United Kingdom without the permission of the Governor General in Council'."

Mr. President (The Honourable Sir Shanmukham Chetty): Order, order. The Chair proposes to take up this amendment after all the clauses are finished. If the Honourable Member wants to move it, he can do so after all the clauses are finished.

Dr. Ziauddin Ahmad: I would like to do so.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 45 stand part of the Bill."

Dr. Ziauddin Ahmad: Sir, I beg to move:

"That clause 45 of the Bill be omitted."

This clause relates to our relations with the Imperial Bank. I maintain very strongly that when the Reserve Bank has been established, it is not necessary for us to have any special relations with the Imperial Bank. All the scheduled banks should be treated alike, and the Imperial Bank

... ..

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Dr. Ziauddin Ahmad: I will tell you the page later on. What they recommend is that the special privileges which now exist should not be extended to the Imperial Bank when the Reserve Bank comes into existence. Sir, on account of the past record of the Imperial Bank, it is not necessary for us to give them any special privileges. What is their past record? Their past record is that they always give special privileges to those who are rich and they give no facilities whatsoever to the agriculturists, landlord classes and others; they flatly refuse to give any kind of assistance to co-operative banks. In this particular case, I should like to quote from the Report on the Reserve Bank, at page 181,—I am quoting from the Banking Inquiry Committee's Report. In Madras they demanded some kind of assistance for their co-operative banks, but the Imperial Bank flatly refused to lend any kind of help. They also mention that, on account of a certain rule, they cannot at all advance money on the security of landed properties. They don't help either the agriculturists or the landlords. They merely help those who are engaged in industries. Sir, it is a well known fact that in India the number of people engaged in agriculture far exceeds the number that is engaged in industries, and, therefore, the Imperial Bank is of no use or assistance to those who are engaged in agriculture, and I say that, any bank, which refuses in India to consider the requirements of the agricultural classes, does not deserve special privileges. India is preponderatingly an agricultural country, and, therefore, no assistance of any kind should be given to any bank which refuses to come to the assistance of the agricultural classes and zamindars. We are not here simply to fill the pockets of the millionaires, we are not here to help a bank to provide all possible credit facilities for their trade and commerce overlooking entirely the needs and claims of the agricultural classes. Therefore, Sir, I very strongly maintain that so long

as this Bank does not change its rule and so long as it continues its present policy, it should be given no special facilities, and, therefore, I move that the Imperial Bank should be treated just like the other scheduled banks in this country and that this clause should be deleted.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That clause 45 of the Bill be omitted."

Raja Bahadur G. Krishnamachariar: Sir, I support this amendment. I have got a very great grievance against the Imperial Bank people, and the grounds are exactly the same as those stated by my friend who preceded me. You go to them for any facility, you ask them for money; they flatly decline to help you; if the man in charge of the branch is courteous, sometimes he will tell you in an apologetic way: "very sorry, we are held up by the terms of our Act and the terms of our Charter", and what not. If the Charter is so worded that they cannot come to our rescue, why should they be given any special indulgence? You have got a Reserve Bank which is above all political influence, and you say it is going to be a Bankers' Bank. Put the Imperial Bank on the top if you like, but why should you give it any special treatment? I submit, it is all bunkum to say that they have done a good deal for us in the past. Possibly they have taken a great deal of dividends. I know, Sir, that their shares of the nominal value of Rs. 500 are today quoted at anything between Rs. 1,200 and Rs. 1,800, and they do pay immense *interim* dividends of 10 per cent. and annual dividends of 15 per cent.—all upon what? Upon my money, upon the money that I contribute which they keep in their possession. They lend money and they do business and distribute the dividend amongst themselves and go on merrily; but when I want money, they put forward the excuse of their Charter and rules, and decline to help me. In order that they may come along with the other scheduled banks, they will have to amend their Charter, otherwise why should we show any special consideration to them when the new Reserve Bank comes into existence? We shall then have our own national Bank, and even removing the exchange banks which, as the Banking Inquiry Committee Report says, will not ordinarily deal with agriculturists, why should we, out of the 42 and odd banks, give special patronage, or special privileges to the Imperial Bank? There is absolutely no reason for it. If the argument is that in the past they have done a great deal of work for us, I say they have also earned a good deal of dividends and profits. They have taken our money and they have earned splendid dividends and they have been able to build magnificent houses wherever they have opened branches. I, therefore, submit that we need not continue our patronage to the Imperial Bank, and I think it is time that we should withdraw everything from them.

Mr. Bhuput Sing (Bihar and Orissa: Landholders): Sir, I have to oppose the amendment moved by my esteemed friend, Dr. Ziauddin Ahmad.

An Honourable Member: Are you a Director?

Mr. Bhuput Sing: No, Sir, I am not a Director.

Dr. Ziauddin Ahmad: You are a shareholder like myself.

Mr. Shupat Singh: For the purpose of proper functioning of the Reserve Bank, it is absolutely necessary that some solvent agency must be found, whether it is the Imperial Bank or any other scheduled bank. The question arises to which of the bank or banks such agency should be given. In the Joint Committee, the representatives of Banks who gave evidence said that the Treasury work was of a very technical character and that it would not be an easy thing for them to take that up. Further, the Imperial Bank is performing such duties since 1921, and they are performing it efficiently and well too. The principal qualification for such work should be that the Bank must be solvent and the solvency must be above suspicion and it must work efficiently. Besides, they have got nearly 175 branches, I speak subject to correction, which no other Bank possesses. There is no provision in the Bill which prevents the Reserve Bank from giving the agency to any other scheduled bank where there is no branch of the Imperial Bank. If the agreement is not made with the Imperial Bank, the Imperial Bank may close their branches in places where there is no other bank, and it will not help the banking facilities of the people of those places. As regards the agreement and compensation, I do not think that the provision in the Bill is sound, and, on that, I have something to say which I shall do when the amendments relating to such matters are reached. Sir, I oppose this amendment.

Mr. Muhammad Azhar Ali (Lucknow and Fyzabad Divisions: Muhammadan Rural): Sir, having had some experience of these co-operative banks and having had worked them, I also got some experience in asking for loans on behalf of these co-operative institutions from the Allahabad Bank and the Imperial Bank of India. I can say that the societies' promotes used to be placed with the Imperial Bank or the Allahabad Bank, and on the strength of these promotes money was being advanced formerly. Sir, now, to our great surprise, we find that the Imperial Bank, all of a sudden, and, after that, the Allahabad Bank, refused to advance any money to co-operative societies.

Mr. B. V. Jadhav (Bombay Central Division: Non-Muhammadan Rural): Is there a Provincial Co-operative Bank in the United Provinces?

Mr. Muhammad Azhar Ali: I presume by that interruption that my Honourable friend means that if there is no Provincial Co-operative Bank, these societies' promotes should not be honoured by any Bank, whether it be the Imperial Bank or the Allahabad Bank, or any other Bank

Mr. B. V. Jadhav: That is not my suggestion. My suggestion was that it would be much better for the Imperial Bank and the Allahabad Bank to deal with the Provincial Co-operative Bank than to deal with an individual society, directly.

Mr. Muhammad Azhar Ali: Over and above these co-operative societies, we have got unions, and above some of these unions we have got Central Banks. These Central Banks are Shareholders Banks, and they are just as good banks as any scheduled bank. The report of the Central Banking

Inquiry Committee also supports what I said. In paragraph 181 of their report, page 148, they say :

"The policy of the Imperial Bank in regard to the grant of financial assistance to some of the provincial and central co-operative banks (*here the phrase is central co-operative banks*) seems of late to have undergone a definite change, and it is stated that it shows a much smaller measure of readiness to help them than it used to do in the past."

This agreement with the Imperial Bank does not improve the position. If these central co-operative banks are not assisted with money, I do not know then where to go and where to find money for these co-operative institutions. The Department of Co-operation was established by the Government of India, and though it has become a provincial subject, the Provincial Governments do not fully realise their responsibility in the matter. The Provincial Governments do not care so much for the Co-operative Department as they used to do before. It was said that the money should come from the people. The whole of India, including Burma, did its level best to provide money for each and every Co-operative Society of cultivators. To a certain extent, each and every zamindar, and the public generally came forward to put their money as shareholders in the Central Banks. But still, what do we find? These Joint Stock Banks failed in their duty. I have read out to the House the conclusion which the Banking Inquiry Committee have arrived at on this point. At one time the Government were supporting the movement. It was said that these co-operative banks should stand on their own legs and that the money should not be Government money, but that it should be the money of the people. The people of India have come forward and established co-operative banks everywhere,—societies, unions, and, above them, Central Banks, and then Provincial Banks. And still no help from the Imperial Bank was given. Although there is some provision made now that in case of need the Reserve Bank should help the Provincial Banks and the Central Banks to a certain extent, my submission is that the Imperial Bank has done absolutely nothing to help these co-operative societies. For these reasons, I support the amendment of Dr. Ziauddin Ahmad.

Mr. B. V. Jadhav: I also support the amendment. The charges brought against the Imperial Bank by my Honourable friend, who spoke last, are really true. In all the district towns and in most of the taluka towns, co-operative banks have been established, and they are doing a lot of good to the cultivator and small trader. They have to send money from place to place, and formerly they used to get, what are called remittance orders, from the Government treasury. But, in the big towns, where the Imperial Bank has established branches, the treasury work is done through the branches of the Imperial Bank, and the agents of the Imperial Bank look upon the co-operative banks as their rivals and, therefore, they do not give them as much facility for transmitting money from one place to another as the co-operative banks used to get when the branch of the Imperial Bank was not established. The Imperial Bank is a profiteers' bank, and they want to have the whole of the profits to themselves. They do not look upon the co-operative movement with a friendly eye, and they have not done much to encourage it. Therefore, Government ought to be careful in helping the Imperial Bank any further. Government are now going to establish a Reserve Bank and there is no reason why preference should be given to one bank and not given to other banks which are also sound. I, therefore, support this amendment.

Mr. S. C. Mitra: I can understand Honourable Members voicing their complaints against the Imperial Bank on any particular issue, but I cannot

[Mr. S. C. Mitra:] I do not think we should understand how they can propose the deletion of the whole clause. This clause authorises the Reserve Bank of India to come to an agreement with the Imperial Bank and, according to the constitution of the Reserve Bank, it will not be in a position, at least, during the first few years, to start hundreds of branches all over India. If we want the Reserve Bank to function as the Bankers' Bank, it should offer facilities to the banks and the general public in as many places as possible and, for that purpose, it is in the scheme of the Reserve Bank that, where it is not in a position to start a branch of its own, it will function through the Imperial Bank, because the Imperial Bank in a way was largely performing the functions of the Reserve Bank for the last several years. I do not think it stands to any reason that the whole clause should be deleted. It is in our interests that this clause should be maintained. As regards the period, I know there are several amendments limiting it to 15 years, making ten years certain and the subsequent notice for five years. There may be other amendments, but deleting the whole clause seems to me unreasonable. In the Select Committee, it was said that, in accepting clause 45, we also accepted Schedule III where there is a detailed condition about the remuneration to be paid to the Imperial Bank. I hope the Honourable the Finance Member will assure the House, as he assured the Select Committee, that there will be a scrutiny into these details, if possible, by the Auditor General.

The Honourable Sir George Schuster: That has been done already.

Mr. S. C. Mitra: May we take it that the Finance Member has satisfied himself that the figures arrived at are approximately correct? We may have other amendments to suggest later on, but I cannot support the deletion of the whole clause.

Khan Bahadur H. M. Wilayatullah (Central Provinces: Muhammadan): Sir, I oppose the amendment. The only argument which has been advanced by my Honourable friend, Dr. Ziauddin Ahmad, for having no connection with the Imperial Bank of India is that the Imperial Bank does not give sufficient help to agriculture and does not finance the co-operative banks and societies. Sir, the co-operative banks are looked after by the Government and they also receive some help from Government. If a huge banking concern like the Imperial Bank were closed down, it will be a great catastrophe to India. We must look to some bank to finance trade, commerce and industry. The co-operative banks look after agriculture. They do not look after commerce and industry. Unless and until we turn our attention to industrialization of the country, there will be no improvement in our financial condition. The country is suffering from lack of industries and consequential unemployment. I do not think it will be a good step to stop all connection with the Imperial Bank. In my opinion, it is very necessary that, for purposes of trade and commerce, a well-established and efficient bank like the Imperial Bank should have dealings with the Reserve Bank. The Imperial Bank has got a large number of branches and agencies all over India which look after Government treasury work. Sir, the amendment proposed is not a sound one, and I oppose it.

The Honourable Sir George Schuster: I am very grateful to the Honourable Members who have opposed one of the learned Doctor's amendments.

I must confess that I find the task of dealing single handed with him somewhat of a strain. I also must oppose the amendment and, I am sure, that every one who read the memorandum that we put before the Select Committee explaining the work that the Imperial Bank has got to do for Government at present, and that will have to be done for the Reserve Bank in future, will realise that some agreement with the Imperial Bank on fair terms is absolutely necessary. My Honourable friend, who spoke just now, referred to the undertaking we gave that we would ask the Auditor General to make a scrutiny of the position. If it is convenient to my Honourable friend, I can read the Auditor General's report. It is quite short. He says:

"I have, of course, not audited the accounts of the Imperial Bank of India for the year ending 30th June, 1933, nor have I in the precise sense audited the figures presented by the Imperial Bank of India to Government and those presented by Government to the Joint Select Committee. I understand that it was not intended that I should do so" (*I think Honourable Members will appreciate that we did not expect him within the short period to carry out anything like an audit*) "I have, however, made a critical examination of the figures in question and in the light of that examination and the further explanations furnished to me I am satisfied that the calculation of the cost of managing the Government account has been made on correct principles, that where distribution of charges has had to be made the basis of distribution adopted has been one conducive to accuracy and not unfavourable to Government and that in the result the figure of cost reported to the committee Rs. 15,62,748 may be taken as sufficiently reliable. I presume that there will be some definite arrangement under which the Imperial Bank of India will be precluded from the use of any Government balances at any time as an addition to the remuneration in the form of commission. I have examined similarly the calculation of the loss incurred in the maintenance of hundred new branches and have satisfied myself in this case also that the figure of Rs. 10,05,000 reported by Government to the Joint Select Committee may safely be accepted for the purpose in hand."

That, Sir, I submit, is a satisfactory report. I had a long talk with the Auditor General about it and he did assure me he has gone very carefully into this and he considers that the calculations have been made very fairly by the Imperial Bank. If they have erred at all, it is not unfavourable to Government. I think that is all I should say in support of my opposition to this amendment.

Mr President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 45 of the Bill be omitted."

The motion was negatived.

Mr. B. Sitaramaraju: Sir, I beg to move:

"That in sub-clause (1) of clause 45 of the Bill, for the words 'fifteen years' the words 'ten years' be substituted."

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) vacated the Chair, which was then occupied by Mr. Deputy President (Mr. Abdul Matin Chaudhury).]

You will be pleased to see, Sir, that sub-clause (1) of clause 45 reads as follows:

"The Bank shall enter into an agreement with the Imperial Bank of India which shall be subject to the approval of the Governor General in Council, and shall be expressed to come into force on the date on which this Chapter comes into force and to remain in force for fifteen years and thereafter until terminated after five years' notice on either side."

[Mr. B. Sitararamaju.]

The House will be pleased to note these words:

"for fifteen years and thereafter until terminated after five years' notice on either side."

Thus it will be seen that the agreement is to be not only for fifteen years, but also for a further period of five years in any case. That would make altogether 20 years certain. It may be more. My amendment seeks to reduce that period to 15 years. In moving my amendment, it is not necessary for me to speak at any great length, not because I am not serious, but because that is not necessary. The point at issue here is not whether the Imperial Bank should have this subsidy or not; that is not the point at issue; the point at issue is whether the subsidy to be given to the Imperial Bank of free money should be for a very great period and whether that period is justified, and whether, in giving that period, we would be acting fairly to other banks in the country. That is the point at issue. Sir, when we start the Reserve Bank, we have got to note the fact that we are today in circumstances different from those of 1928. The agreement between the Government of India and the Imperial Bank was still in force at that time. Therefore, the justification for any generous terms the Government might have been called upon to give to the Imperial Bank in those days do not hold good now. Sir, we should remember that, by the creation of this Reserve Bank, the limitations imposed upon the Imperial Bank have been now withdrawn under the provisions of this Bill, that it has a formidable number of branches all over the country and that it is going to be a very formidable competitor against all other banks in the country. Such being the case, is it just, is it fair that you should give a long lease of this monopoly to the Imperial Bank, to the detriment of the interests of other banks in the country? That is the point. It must be remembered again that the position today is that just as the Imperial Bank's claim for consideration has gone down by the completion of the agreement, so the claim of the scheduled banks has gone up higher and higher, because, under the provisions of this Bill, the scheduled banks are asked to make certain deposits of their reserves. The only justification which the Government of India had in refusing to have anything to do with indigenous banks before now do not hold good today, because, in the past, it could be said that the Government of India had no hold upon the scheduled banks. Today you cannot say that, because the Reserve Bank will have a hold on other deposits. With what fairness, with what justice, can you say "Let us have another agreement with the Imperial Bank with all these advantages in their favour"? When you come to calculate the advantages that the Imperial Bank would receive, you will find, according to a rough calculation I have made, that it would be making about Rs. 30 lakhs a year. Sir, I think it is not fair; the period is quite long. I do not for a moment ignore the importance of the Imperial Bank. With its large number of branches throughout the country, it occupies a formidable and dominant position in the country, and its position, in fact, is unique. Therefore, I do not for a moment say that it should not have some claim for being selected as an agent of the Reserve Bank. All that I do admit. But give a chance to other banks also to come up, and see that banking in this country does grow up and prosper. Sir, I move.

Mr. Deputy President (Mr. Abdul Matin Chaudhury): Amendment moved:

"That in sub-clause (1) of clause 45 of the Bill, for the words 'fifteen years' the words 'ten years' be substituted."

Dr. R. D. Dalal (Nominated Non-Official): Sir, I rise to oppose the amendment moved by my Honourable friend, Mr. Sitaramaraju, which seeks to reduce the period of the agreement between the Reserve Bank and the Imperial Bank to ten years. I may remind this Honourable House that the Majority Report of the Joint Select Committee lays down that the agreement between the Reserve Bank and the Imperial Bank should run for fifteen years subject to termination on five years' notice given at any time after that period, and that the agency terms should be revised at the end of ten years and thereafter at five-yearly intervals. Sir, I consider that that is an equitable arrangement. In my opinion, it would be a great mistake to reduce the period of the agreement in any way, and I enter a most emphatic protest against any reduction.

Now, Sir, I shall proceed to give reasons very briefly for the view I strongly hold that the period of the agreement between the Reserve Bank and the Imperial Bank should not be reduced in any way. On the 8th September, 1920, in moving the third reading of the Imperial Bank of India Bill at the Simla Session, the Honourable Mr. Malcolm Hailey, the then Finance Member (now His Excellency Sir Malcolm Hailey, Governor of the United Provinces) referred to the amalgamation of the three Presidency Banks of Bengal, Madras, and Bombay as likely to provide a central banking institution for India, and he said:

"The chapter of the career of these three Presidency Banks is now about to be closed, but if our hopes are realised, there will spring from their ashes phoenix-like, a Bank which will partake of a wider outlook and a larger and more beneficial sphere as a National Bank for India."

Now, Sir, what is the implication. My reading—my interpretation of Sir Malcolm Hailey's speech which I have just quoted is this—that it must have been the intention of the Government of India to extend, and to expand, and to constitute the Imperial Bank of India into a Central Bank—a full-fledged Reserve Bank of India. Sir, there can be no doubt that by the setting up of an independent Central Bank, the Imperial Bank will suffer in prestige to a considerable extent, and that by the alteration in the position of the Bank, its sphere of business will be considerably curtailed; and having regard to the past services of Imperial Bank of India and having regard to the risks the Imperial Bank of India had undertaken in Branch Banking in order to discharge the Statutory obligation imposed upon it at the time of its creation, and having regard to what has been done by the Imperial Bank of India by way of Banking Education, I submit that every sympathy, every consideration, every justice should be shown to the Imperial Bank of India. Even after the establishment of the Reserve Bank, the Imperial Bank will have to handle large sums of Government money; and the safety of these balances is a matter of vital importance. Further, the Imperial Bank will have to carry out all duties as agents of the Reserve Bank. So, the Imperial Bank will have to employ a large staff—an adequate, competent, trustworthy staff, to build that staff up on a permanent basis, to give that staff a sense of security and to provide building and housing accommodation. If the period of the agreement be reduced in any way, I have serious apprehensions that it will be fraught with very serious and unsatisfactory results. It will be detrimental to the interests of development of banking, because the Imperial Bank will not be able to induce the right type of men to take up banking as a career if no security as to permanency of employment and prospects can be offered to the staff.

Mr. B. V. Jadhav: Will the Imperial Bank crumble down after 20 years?

Dr. R. D. Dalal: I can't hear the Honourable Member. The Imperial Bank must have some unremunerative branches, and I think it will be a retrograde step to the development of banking to close any of the established branches, because it will have a most undesirable repercussion on the banking habit. The minimum period of agreement should be 15 years, because, by then, the existing staff will be more or less due to retire, and any staff that may be recruited thereafter will be recruited on such terms as are justified by the new arrangements. But, Sir, the period of ten years is a most unreasonable period—it is neither here nor there; and it is impossible for a large business organisation to accept such a short period as ten years. But it may be asked—how is it that the Imperial Bank of India accepted a period of ten years in 1921? Well, Sir, that was accepted on trust, which is now looked at from a strictly legal point of view. Sir, it is certain and it cannot be disputed that the Reserve Bank of India cannot possibly carry on and transact business of different kinds efficiently and satisfactorily, and cannot possibly spread the advantages and benefits of finance and currency without an institution like the Imperial Bank of India, which alone of all banks in India has the experience and machinery to do this agency work; and if it cannot, I respectfully ask, why the Imperial Bank should be replaced at the end of ten years, especially when we remember that, in every walk of life, continuity of service is an incentive to good, honest, efficient work. In all these circumstances, and in the interests of both parties, and in the interests of development of banking in the country generally, and, above all, in consideration of the fact that the Imperial Bank of India has already relinquished a claim for a period of ten years, I am strongly of the opinion that the security of an agreement for a period not less than that recommended in the Majority Report of the Joint Select Committee should be embodied in the Act.

Mr. B. R. Puri: Sir, I would not have intervened in this debate at all but for an observation which fell from the lips of my Honourable friend, Mr. Raju. He evidently reads this clause as if it means that after a period of 20 years this agency agreement will come to an end. (*Mr. B. Sitaramaraju:* "No, no: I never said that. I said at least 20 years.") I should like to know if my interpretation of this clause is correct that this agreement is to remain good for 15 years in any case. Up to that period, no notice on either side would be permissible and this agreement will then continue even after 15 years subject to this condition that if either party were to choose to give notice, it would be liable to terminate after the period of that five years' notice. That means that if after 15 years for another space of 20 years neither party were to give notice to each other, then the life of this agreement would be extended to 35 years *plus* 5 years, that is, altogether 40 years. I would like to know if this interpretation is correct.

The Honourable Sir George Schuster: Certainly it is correct.

Mr. B. R. Puri: If that is correct, then I would ask the House to realise that if it leads to such an interminable period, are we really taking a wise step in making a provision of such a sweeping character.

Mr. Bhuput Sing: Sir, I rise to support the amendment of my Honourable friend, Mr. Raju. Dr. Dalal just now said: "The amendment proposes to restrict the term of agreement to a period of ten years which is neither here nor there". But may I point out to him that the amendment does not do anything of the kind? It only makes the agreement terminable after 15 years and not after 10 years as was said by him. It gives the agreement for ten years, and then five years' notice.

Dr. R. D. Dalal: We want 20 years.

Mr. Bhuput Sing: That is what the Government also want, and I did not know that Government's interest was his interest as well being a nominated Member. If Dr. Dalal wants the agreement to last for 20 years and thereafter five years' notice, he should have given a separate notice of amendment. Sir, Mr. Raju's amendment only says that Government should make the agreement for ten years so that, together with the period of notice for five years, the total term of agreement would come to 15 years for certain. In this connection, Sir, I would like to read a certain passage from the report of the London Committee. In paragraph 29, page 7, they say:

"We recommend that the Reserve Bank should be required to enter into an agreement with the Imperial Bank on the general lines of clause 45 of the 1928 Bill, but we consider that the period of 25 years prescribed in that clause is too long, and we suggest that this point should be further considered by the Government of India. The initial period, however, should be of substantial duration, with provision thereafter for termination on several years' notice, etc., etc."

I think the period of 15 years, as suggested in the amendment, is very reasonable and not small as suggested by Dr. Dalal. Why should we bind the future Central Board to continue to work with the agreement that is now being made? We must make them free to renew if and when necessary the terms of the agreement on more favourable terms whenever the conditions of Indian banking makes a progress. By giving them a long lease of life, there will be some handicap for the other scheduled Indian banks to make any agreement with the Reserve Bank for doing the treasury work even if they are in a position to do so. During the period of 15 years, they may show their efficiency by doing the treasury work in some places where there is no branch of the Reserve Bank and the Imperial Bank. I do not grudge to renew the agreement with the Imperial Bank as long as the Imperial Bank work efficiently; but, at the same time, I do not see any reason why others should be precluded for a very long period from having the advantage of competing with the Imperial Bank by giving more favourable terms to the Reserve Bank. With these few words, I support the amendment.

Diwan Bahadur A. Ramaswami Mudaliar: Sir, I rise to support the amendment. I must congratulate the Honourable the Finance Member for getting support so ably and so eloquently from my Honourable friend, Dr. Dalal. I thought I was hearing to an elegy on the Imperial Bank when I listened to the very characteristic speech of my Honourable friend. Sir, my Honourable friend, Mr. Bhuput Sing, drew the attention of the House to the recommendations of the London Committee. I do not want to deal with this London Committee more than I could help, but on this occasion, I am perfectly certain, that the London Committee members would have been shocked if they had been told that 25 years was too long, but that 20 years was a fairly substantial period.

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What they mean by too long is not merely a five year period over and above what was proposed

Dr. R. D. Dalal: May I point out that the Imperial Bank has already relinquished a claim for a period of ten years.

Diwan Bahadur A. Ramaswami Mudaliar: My Honourable friend is an authority on public health, but he is a very poor authority on arithmetic. Let me show to this House and particularly to my Honourable friend how the Imperial Bank is better off under the provisions of the Bill than it would have been if a similar provision of the 1927 Bill had been accepted and that Bill had been passed into law. In the 1927 Bill, the Imperial Bank was given a period of 25 years and, at that time, the Imperial Bank had not merely a moral claim which Dr. Dalal has trotted out, but also a legal claim. The Charter of the Imperial Bank extended up to the end of 1930 or the beginning of 1931. The Government could not cut in and take back the powers which they had given to the Imperial Bank under the Imperial Bank Act of 1921, and yet Sir Basil Blackett, when he introduced the Reserve Bank Bill, tried to take away these powers; those were the conditions under which the provisions of the Reserve Bank Bill of 1927 were put forward before the Legislature. The Imperial Bank, having a legal claim to continue till the beginning of 1931, and the Government having decided to cut short that period by four years, what did Sir Basil Blackett do? He said that there should be an agreement for 25 years with the Imperial Bank and if the Bill had been passed into law, then the Imperial Bank would have enjoyed that privilege up to the year 1952. Now, in the year of grace 1933, we come to these provisions. What is the position? The Imperial Bank Charter has expired. It is today carrying on at the pleasure of the Governor General in Council. There is no legal obligation to maintain the present position of the Government of India with the Imperial Bank. It is purely, as a matter of grace, that this arrangement is continuing. I leave aside the question of moral claims which have been trotted out more than once and if that is seriously pressed, then alone I should like to refer to that moral claim, but the position today is that legally there is no obligation on the part of the Government of India at all to continue their present relations with the Imperial Bank and without a week's notice, without a day's notice, tomorrow the Honourable the Finance Member could send down his ukase and say that the whole agreement is terminated with the Imperial Bank and that the Imperial Bank should restore the Government balances to such other Banks as the Government may fix. Today the Honourable the Finance Member and the majority of the Select Committee come forward and say: "we shall give this Bank 20 years certain again, because this 15 years certain and five years option merely means 20 years certain". This carries us, if the Reserve Bank comes into existence next year, to the year 1954. Therefore, while under the 1927 Bill when there was a legal obligation towards the Imperial Bank, the period provided took us to 1952 or 1953 to be more exact, under the provisions of this Bill when there is no legal obligation whatsoever we are asked to give this Charter to the Imperial Bank up to the year 1954. My Honourable friend, Dr. Dalal, by some mysterious process of arithmetic, says that it is not so favourable as it was under the Bill of 1927. Now, my Honourable friend has already pointed out that it is not fair that this long period should be given to the Imperial Bank. The Charter of the Reserve Bank is only for 25 years. After that, it may be extended, it may not be extended.

It may be repealed or it may be ended; we will come to that when the clause is considered by this House. Out of that 25 years period, the Imperial Bank is going to have 20 years certain period. I ask whether that is a reasonable position at all. My Honourable friend, Dr. Dalal, said that after 10 years, the terms of the agency may be reconsidered. Nothing of the sort. If my Honourable friend will more carefully read the Third Schedule with reference to the provision that is contained therein, he will see that there is nothing about the terms of the agency there. What is provided is that the amount of compensation should be calculated on a certain basis, at the end of ten years, that the basis now provided need not be continued, but that, at the end of ten years, the basis that is provided under the Schedule should be taken into account in calculating the amount to be paid to the Imperial Bank. That is all that is provided for in the Third Schedule. For the benefit of my Honourable friend, who seems to be very nervous of the position of the Imperial Bank, let me read to him the provisions:

"In consideration of the performance at the places referred to in clause 1 by the Imperial Bank of India on behalf of the Reserve Bank of India of the functions which the Imperial Bank of India was performing on behalf of the Governor General in Council * * * before the coming into force of the Reserve Bank of India Act, 1933, the Reserve Bank of India shall pay to the Imperial Bank of India as remuneration a sum which shall be for the first ten years during which this agreement is in force a commission calculated at one-sixteenth of one per cent. on the first 250 crores and one thirty-second of one per cent. on the remainder of the total of the receipts and disbursements dealt with annually on account of Government by the Imperial Bank of India on behalf of the Reserve Bank of India."

Then comes this question of how, after the end of ten years, this new arrangement is to be arrived at:

"At the close of the said ten years, the remuneration to be paid by the Reserve Bank of India to the Imperial Bank of India for the performance of these functions shall be revised,"

—mark that the remuneration should be revised and not the terms of the agency—

"and the remuneration for the ensuing five years shall be determined on the basis of the actual cost to the Imperial Bank of India, as ascertained by expert accounting investigation of performing the said functions."

That is to say, if an accounting officer will merely go into the question as the Auditor General has just now done as to what it will cost to the Imperial Bank to carry out these functions, the amount will be arrived at. But the Reserve Bank is tied down to the use of these 150 branches of the Imperial Bank even after the period of ten years. In fact it is tied down for the next 20 years and it is tied down as long as the Reserve Bank uses the Imperial Bank. For 20 years certain it is tied down to the use of these branches of the Imperial Bank which are existing at the date of the passing of this Bill and it can only go into the question of what remuneration it should pay and that will be settled by accountants and not by the Reserve Bank. There is no question of leaving it open for the Reserve Bank at the end of the ten year period to arrange different terms of the agency. The Reserve Bank cannot say: "We do not want these 15 branches which you have at such and such places, we propose to transfer our custom to the Bank of India or to the Bank of Bombay or some other Bank which has established branches in these places". It will not be open for the Reserve Bank to do that. It is tied down to these 147 or 150 branches of the Imperial Bank for the certain period of 20 years inextricably without any hope of

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escaping from that. Now, Sir, not merely is it bad from the point of view of the Reserve Bank, but it is worse from the point of view of other banks, the indigenous banks, and that is an aspect which I should very strongly place before the House. We are all very anxious to develop the banking system in this country. My Honourable friend, Dr. Dalal, almost shed tears over the idea that any deduction from the privileges conferred on the Imperial Bank by this Bill would mean a closing of the branches of the Imperial Bank and, therefore, very great hardship to many people. But we have also to remember that, according to this Bill, if indigenous banks, which are fairly well established, open branches in these places, then a provision like this will be a great hardship to them. At the time when the 1927 Bill was under consideration, that Bill was circulated all over the country, and the various banks had an opportunity of expressing their opinions on the subject. On the present occasion, the motion for circulation was never made, because we thought that there was no need for a motion to that effect and, therefore, the various banks have had no opportunity of expressing their opinions on this. I know that a few banking experts or representatives of certain banks were invited to appear before the Select Committee and their evidence was taken. I do not know what they said and what their views were on the subject. That is a mystery which is within the confidence of the members of the Select Committee. But, on the last occasion, when the Bill was circulated, both the indigenous banks and the foreign exchange banks were distinctly against this period of 25 years which was then fixed by the Bill. Let me read only one short extract:

"We consider that a period of 25 years to which the clause is to extend is excessive and any arrangement between the Reserve Bank and the Imperial Bank should not have a statutory life of more than ten years in the first instance."

That bears the signature of Mr. J. A. Bruce, the Manager of the Chartered Bank of India, of the Managers of the National Bank of India, the Mercantile Bank of India, the Eastern Bank, Limited, and of the P. and O. Banking Corporation. And if you go to the Bank of India, the Bank of Baroda and other indigenous banks, they express an identical opinion on the subject that 25 years is too long, that it is unfair to them and that a period of ten years is sufficient. I ask, when the original Charter at the time of amalgamation was only for ten years and the Imperial Bank authorities were then satisfied with this period of ten years, how can they claim this extraordinary period of 20 years at the present moment? I venture to think that it is not a fair arrangement,—I would go so far as that,—not fair to the Reserve Bank, not fair to the indigenous and other banks existing in the country and not fair to this House. I do not know whether the arrangement has gone to the extent of its being a concluded agreement incapable of being revised by this House. I am very glad to find that my Honourable friend, the Finance Member, says it has not gone to that stage. I was at one stage afraid that it might be so and all my talk would be useless. But if it is not so, I venture to press very seriously for the consideration of this House that we shall not be doing justice to all these people and all these institutions if we have this period of 20 years and the conditions so rigidly laid down, as I have tried to explain to the House.

Dr. R. D. Dalal: If the agreement is for ten years only, how can a trustworthy staff be employed? We want a trustworthy staff. The Imperial Bank will have to handle large sums of Government money; and the safety of these balances is a matter of vital importance.

Diwan Bahadur A. Ramaswami Mudaliar: That very great difficulty which is oppressing my friend, Dr. Dalal, would continue in any circumstances. Does my Honourable friend suggest that a number of staff engaged in the year of grace 1934 will continue right through till the year of grace 1954 on 20 years' contract, and that there will be no intermediate staff engaged during these 20 years?

Mr. B. R. Puri: May I know what is going to happen to the Imperial Bank if tomorrow, as you suggest, the Finance Member were to cease dealing with the Imperial Bank, according to my Honourable friend over there?

Diwan Bahadur A. Ramaswami Mudaliar: What has happened to every bank and commercial concern during the last few years? Has not the Imperial Bank retrenched its staff? Can my Honourable friend suggest that today the Imperial Bank has on its register the same number of staff as it had two years ago? It is a matter of notorious knowledge and cause have reached even my friend, Dr. Dalal, that commercial concerns and banking institutions have, during this period of depression, had to retrench their staff. I should be extremely surprised if the Imperial Bank of India is the only institution which, through this period of depression, has not in any way retrenched its staff. Every commercial concern has done that, every banking institution has done that, and I am perfectly certain that the Imperial Bank has also done that. Then, why this extreme anxiety for the staff which may go out of existence in the year 1954 or in the year 1949? And, after all, what do we say? We have not suggested that it shall be only for a period of 15 years. Some latitude still exists; the agreement can be continued. All that I plead for, all that we on this side urge is that there must be freedom for this Reserve Bank. For the sake of the Reserve Bank which you are establishing with so much concern, please give it some little latitude to come to its own agreement. Do not tie it down hand and foot for 20 years out of its possible existence of 25 years to deal only with the Imperial Bank and to deal with it only in a particular manner. And I venture to suggest that there is no injustice at all involved so far as the Imperial Bank is concerned. My Honourable friend talked of moral obligations. I know that on another occasion and in another place this question of moral obligation was trotted out. Does my Honourable friend suggest that the amalgamation of the three Presidency Banks was a matter of grace which the authorities of these three Presidency Banks undertook on that occasion simply out of patriotic sentiments and out of a sense of duty of what they owed to the public? Does my Honourable friend suggest that the Presidency Banks of Madras, Bombay and Calcutta would have had a hundredth of the position which the Imperial Bank of India occupies today if they had not consented to that amalgamation? What is this moral obligation that is being trotted out time after time? They got an advantage far above anything that they dreamt of in the year 1920. They were amalgamated into one big concern, the Imperial Bank; privileges were given to them far in excess of what they had ever dreamt of in the days when they started and did business as Presidency Banks. They have got on very well. We have not complained of that; we have no feeling of jealousy with reference to the way in which the Imperial Bank has got on. They undertook some obligations, they received some benefits; what is this moral obligation that my friend is talking of? It seems to me that if there is any moral obligation, it is from the Imperial Bank towards the Government of India and not from the Government of India to the Imperial Bank. I, therefore,

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venture very humbly to suggest.—I do not think there is any unnecessary heat required over this amendment,—I respectfully recommend to this House that, in the interest of all concerned, a period of ten years certain and five years option will achieve the purpose and this amendment should be accepted.

Dr. Ziauddin Ahmad: Sir, my poet friend, Khan Bahadur Wilayatullah, is not here. He came and spoke on one occasion and did not wait for the reply. I should very much like to point out that this Imperial Bank,—of which I do not know whether he is engaged as its advocate,—does not really give the facilities which he has claimed on the floor of this House. He probably had no knowledge of the Imperial Bank besides drawing a cheque, and, as my friend said on a previous occasion, perhaps overdraw his account. But had he gone into details about the Imperial Bank, probably he would not have come forward to support the claim of this bank.

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) resumed the Chair.]

In the first place, this Imperial Bank, as we all know, does not lend any money on the security of land. If any bank does not advance money on the security of landed property and does not finance any undertaking in connection with agriculture, that bank is not a bank which should receive any differential treatment or any favourable treatment from the Legislature or from the taxpayers in this country. Sir, the Imperial Bank sometimes gives some help to industrial firms, but if you go through the list of the firms to which this help is given, you will find a large number of European firms and very few Indian firms to which money is given. So are we going really to favour this Imperial Bank and show special favour in order that it may give special privileges and special assistance to a chosen few? The other thing is that I would recommend my friend to read a paper called "Bank Workers", and there he will find in certain articles that there is a differential treatment noted out by this Bank to Indians. Now, when this differential treatment exists in that particular Bank, is it desirable that we should give special facilities to this Bank? My friend said that the Imperial Bank provided banking facilities to this country. But I request him to consider this: if you take a cheque of any Imperial Bank branch, even of Rs. 10, you have to pay a discount of eight annas if you cash it at any other branch of the Imperial Bank. Is this a facility or is it cheating? In European countries, you find that if you take a cheque of any bank to any of its branches, it is paid immediately without discount. But here, even in the case of cashing a cheque in the Imperial Bank at New Delhi, belonging to some other agency, I have to go through great formalities, even if I am personally known to the staff. This is in addition to unreasonably big discount. Do you call it facility or do you call it cheating?

Khan Bahadur H. M. Wilayatullah: But they still pay you: I thought from what you were saying that they had dishonoured the cheque.

Dr. Ziauddin Ahmad: They cheat all right, but they are not such rogues and I do not say so. Is this a facility or is it cheating? If they cash these cheques at par at any place and not only cheques belonging to

their Bank, but cheques belonging to other Banks, then I could have considered that a facility; but when they charge a very big discount, sometimes it is tremendous, then I cannot call it facility, but cheating . . .

Mr. E. Studd: Can the Honourable Member tell me of any bank in India that does not do the same with branches in other places?

Dr. Ziauddin Ahmad: This is just the point I was coming to. Is there any bank in India to whom we show these special treatment? Is there any bank which is supported so much by the taxpayers of India? Is there any bank which has become very fat at the expense of the poor people of this country? Look into the value of the shares: shares of the value of Rs. 500 at one time were quoted at Rs. 1,500 and Rs. 1,600, and I think today it is about Rs. 1,250. They give a dividend of 18 per cent. and more: it is now 12 per cent: is there any bank which has been able to pay so much dividend? So, if the Bank comes to the taxpayers and asks for differential treatment, is it or is it not right for us to demand that they should give special facilities to the people of this country? If this Imperial Bank professes to place itself in the same position as other banks, then the only conclusion from that is that the Bank should not expect any differential treatment from us as well. If it comes forward and wishes to be supported specially at the expense of the Indian taxpayers, if it demands a special loan without interest from the Indian exchequer, then is it or is it not correct on our part to demand that they should provide special banking facilities to the people of this country and not cheat under the false plea of giving banking facilities? I refer to the report of the Indian Central Banking Inquiry Committee. Was this report written in order to be forgotten? Was money spent on this enquiry simply to put its report into the waste paper basket? I wonder if the Honourable the Finance Member ever had before him the recommendations of this Committee when this Bill was drafted. We have got a number of valuable recommendations in the report which will be discussed in connection with rural credit societies: but I call attention to one particular recommendation: it is at page 512—recommendation No. 140. I think the Honourable the Finance Member's knowledge of this report has become hazy: once when I was quoting page 181, he was entirely lost, until I corrected myself and said it was paragraph 181 and not page 181. In No. 140, it says:

"On the establishment of the Reserve Bank and the simultaneous withdrawal of the restrictions now imposed on the transactions of foreign exchange business of the Imperial Bank of India, the latter should be induced to take an active share in the financing of India's foreign trade. For this purpose a definite arrangement between the Reserve Bank and the Imperial Bank for a period of five years"—(and not ten or twenty)—"or such other period as the Reserve Bank may consider"—(and not the Legislature)—"desirable for utilising the Imperial Bank as agents of the Reserve Bank on terms to be settled between the two banks is recommended."

This is the recommendation of the Banking Inquiry Committee. They recommended a period of five years, and now the period which we are fixing for these swindlers, for these cheats . . .

The Honourable Sir George Schuster: I really must protest against that expression. My Honourable friend has no right to talk about the Imperial Bank as swindlers. (

Dr. Ziauddin Ahmad: The Honourable gentleman may not, but my own experience is that when I have to cash a cheque I don't get full

[Dr Ziauddin Ahmad.]

value of my money, but money is deducted, and I call it legalised swindling: the Honourable gentleman may not. This period is too long a period and it is not very desirable that we should extend this abnormal privilege. If he desires to legislate special provisions for the Imperial Bank and put them in special privileged positions, is it or is it not the duty of the Honourable the Finance Member to show why this particular privilege ought to be extended, and for what reasons we should put the Imperial Bank in a very privileged position? This point has never been brought out on the floor of the House. We extended the special privileges at a time when the Reserve Bank was not there; but when the Reserve Bank is now coming into existence, then to place any special bank in a privileged position is to say the least unfair to the other banks in this country. If we support this Bank at the expense of the taxpayers, then is it or is it not right for us to demand that they should also treat us in a special manner and provide real banking facilities and not charge us discount right and left and very high rates of interest? With these words, I strongly support this particular amendment.

Sir Cowasji Jehangir: Sir, I rise to support the amendment. I had no intention of speaking after the speeches made by my Honourable friend, Diwan Bahadur Mudaliar, and my friend, Mr. Raju; but the strong remarks that have fallen from the lips of my Honourable friend, Dr. Ziauddin, forces me to say a word or two. He has made a statement that the Imperial Bank shows greater favour to its European clientele than it does to its Indian clientele. I think that is an absolutely incorrect statement and should not go uncontradicted. It is a reflection not only on the management of the Bank—it is a greater reflection on the Local Boards on which there are many eminent Indians. I have nothing to do with the Imperial Bank directly: as a matter of fact, I am connected with an indigenous bank; but, in justice to this Bank, I think a statement of this sort should never have been made in this House and, as it has been made, it deserves categorical contradiction

Dr. Ziauddin Ahmad: May I ask whether the Honourable Member speaks on behalf of Bombay alone or for Madras, Calcutta and other places?

Sir Cowasji Jehangir: If my Honourable friend means to contend that in Calcutta the European clientele are given greater facilities than Indians, I am not in a position to give a categorical denial—I do not come from Calcutta

Mr. E. Studd: I come from Calcutta and I can confirm that denial.

Sir Cowasji Jehangir: All I can say is that if they confine their business to their European clientele, then they would very soon have to shut up shop at Calcutta: after all, they must rely upon their Indian clientele if they are to exist: their very existence depends upon Indian clientele: and more so in Madras. I do deprecate, as my Honourable friend, the Finance Member, pointed out, calling anybody swindlers in this Honourable House, and this sort of thing should really be put down.

Now, as to the merits of the question, I agree that the proposals in the Select Committee's report are a little in excess of what they should

really be. The Committee in England considered 25 years too long,—a definite expression of opinion. The Select Committee have given the Bank a 20 years agreement: the amendments that stand in several of our names give them 15 years certain. Now, it is not only 15 years certain, but every possibility of many years more than 15. If this agreement is to terminate in 15 years, according to our proposals, a notice will have to be served on the Bank after ten years. If the Reserve Bank do not serve any notice after ten years, then for so long as they do not serve that notice after the expiration of ten years, by that period will the agreement be lengthened over and above 15 years: and, therefore, I think it is a very reasonable proposal indeed, fair to all sides and carrying out to a great extent the recommendation of the London Committee. I beg to support the amendment.

Khan Bahadur H. M. Wilayatullah: Sir, I had no intention to take part in the debate on this amendment, but as certain remarks have been made by my Honourable friend, Dr. Ziauddin Ahmad, with special reference to me, pointing out certain inaccuracies in my speech which I made a short time ago, I wish to say a few words. He said that if there is a cheque issued on the Imperial Bank in Delhi and if it has to be cashed at Nagpur, some commission has to be paid for it. He calls this commission cheating. I think it is a very strong expression. Sir, he is a great mathematician and an educationist. He ought to be very accurate. I will ask him a question. If a boy is handed over to him for education, he charges the parents of the boy the usual fees which is a considerable amount, and, at the time of the boy's examination, a further fee of, say, Rs 30 or Rs. 40 is charged. If the boy fails in the end, will it be cheating? If charging the commission can be called cheating this, I am afraid, will be called down right cheating. I think, Sir, we ought to be very careful in our remarks and we should not indulge in language like that and without any scruple. There is a system of charging commission on cheques which is in vogue in every bank. If this House has any objection to it, it can pass a Resolution or make a representation to have it rectified. To oppose a provision in the Reserve Bank Bill, because the Imperial Bank charges a certain commission for cashing cheques, is, to say the least, wholly irrelevant and it shows a lack of sense of proportion in offering our criticism on the Bill. Sir, I oppose this motion.

The Honourable Sir George Schuster: Sir, I am in a somewhat difficult position in dealing with this particular amendment, because I have throughout all these discussions been very careful not to take upon myself the role of an advocate of the Imperial Bank's interests. We have had to deal with the Imperial Bank as one party with another, and it has never been my lot to look at things from the point of view of representing the Imperial Bank's side. On the other hand, there is nobody in this Assembly today who can speak as an advocate from the side of the Imperial Bank, and it has been an unfortunate feature in all our discussions in connection with this Reserve Bank Bill,—and there have been times when the Imperial Bank has figured very largely,—it has been an unfortunate feature that there has been nobody who could get up and put as the representative of one party against another the case from the side of the Imperial Bank. Now, Sir, I have looked at all these matters not as a question of privileges to be given to the Imperial Bank, not as a

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question of giving support to the Imperial Bank at the expense of the tax-payer as my friend, Dr. Ziauddin, said, but rather as a question of what services the Imperial Bank is going to render. The Imperial Bank is, after all, performing very important services and unless there is in the country an organization which can perform these services, both the Government and the Reserve Bank are going to be put into very great embarrassment. I do not know whether any of the Honourable Members who have spoken have realised quite the importance of the work which we require from the Imperial Bank. I confess that it causes me a great deal of concern when one looks to the future and considers that possibly some other agencies may have to be employed. I say that for this reason, because the Imperial Bank has to some extent been functioning as a public authority or carrying out Government work and has come to look upon some of these questions from the point of view of an organisation which is concerned with public interests. The Government have to keep scattered about over the whole of India an enormous quantity of currency in currency chests,—not currency in circulation, but currency ready available to meet any demands,—Government have actually in the currency chests scattered about India currency notes of something like ninety crores of rupees. I think that is about the correct figure. At a branch of the Imperial Bank, for instance, at Amritsar, where a currency chest is kept, I think the average amount of currency kept is about two crores of rupees. Now, it is a very heavy responsibility that is placed upon the agency which has to look after these enormous sums of money. That is not money in circulation,—they are simply paper notes, but they can be put into circulation. The control of those is a very important matter. Now, the Reserve Bank cannot start organizations all over the country, and the Imperial Bank has set up branches, built strong rooms, provided all the facilities for looking after that currency, and has for a long period of years been acting as agent for the Government and acquired a staff on which we feel that we can absolutely rely. That is not only a very valuable service, but it is a vital service.

Now, the question is what sort of agreement is reasonable with the Imperial Bank. My friend, Diwan Bahadur Mudaliar, said that the London Committee thought that 25 years was too long and that if they had been told that after consideration here the period was only going to be reduced by five years, to 20 years, that would have seemed to them a travesty almost of what that they had in mind. Now, Sir, of course it is very difficult to say exactly what every one had in mind, and I certainly do not want to start all these discussions about the London conversations over again on this particular matter. I think we rather shirked the issue there and shifted the matter to India, but I will concede this to my friend, that I quite agree with him that a mere reduction of five years is something rather less than what I myself would have thought to be what the general members of the Committee had in mind. But what they had in mind chiefly in considering the length of the period when we discussed it in London was not so much that it was undesirable to tie the Reserve Bank up to the Imperial Bank for a long period as that it was undesirable to fix financial terms. It might be fair now, but it might not be fair in the future. I must certainly make it clear that in my own mind in thinking of limiting the period, I was more influenced by this question of what the financial remuneration was going to be, and I do consider that this proposal

which we have evolved now is a very important modification of an agreement which has to run with all its terms unchanged for a definite period. It represents again a sort of compromise arrived at after a good deal of discussion. On the one hand, those, who were against having too long an agreement, felt that, as I say, the terms which were fixed now might prove to be quite out of relation to what was required in ten years' time. On the other side, the Imperial Bank representatives put it before us very strongly that in making the arrangements with their staff, in recruiting their staff, they did require a long period to look forward to. And I am told by them—I hope Honourable Members will not take it as an advocate's point—I am told by them that while in fact they have no difficulty in recruiting European officials on short term contracts, they do find difficulty with their Indian staff—that the Indian staff want a longer period of certainty. Of course, it is obviously desired by everybody here that the proportion of Indians in the staff should be increased as rapidly as possible, and, as a matter of fact, the Managing Governor of the Imperial Bank who came before us pointed out that since, I think, 1929, only one European had actually been recruited and appointed to the Imperial Bank. So, they are proceeding as rapidly as they can in the direction of increasing the proportion of Indians. It helps this process if they can look forward to a long period. Again, I do not want to over-stress the point, one fully recognises that a great part of their business must go on regardless of the work which they do for the Government now or for the Reserve Bank in the future. But they do require a special kind of staff for the particular work that they have to do for Government, that is, for looking after the currency chests, and so on, they must have a special kind of staff for that work, and we were convinced, at any rate the majority of the Select Committee were convinced, that their demand for a 20-year period was not an unreasonable one. On the other hand, we said we could not possibly agree to fixing the commission for a period as long as that, and, therefore, we proposed that the terms of the commission should be subject to review at the end of ten years and then, at the end of every subsequent five years, for as long as the agreement goes on. My Honourable friend, Mr. Mudaliar, has represented that that does not amount to very much. He has referred to the fact that the commission is to be fixed almost automatically by ascertaining from the accountant's examination what the cost of running the Government account is. But we thought that that was the farthest we could beat them down to—we looked upon that from the point of view of getting them down to the lowest possible terms that could be offered. If the services are required by Government, if it is very difficult to contemplate handing over work and responsibility of that kind to anything except a very special organisation, if the work has got to be done on a commission which simply covers the out of pocket expenses of the Bank, surely no one can say that that is tying the hands of the Reserve Bank to an unfair arrangement. I think that we have protected the position in every way, and I would again emphasise this, that there is no Indian bank at the moment, or at any rate, very few who have that staff, that organisation, the kind of personnel which is required for carrying out this very responsible work, nor is it likely that they will want to equip themselves for taking on this kind of work. I feel, Sir, that we have to look to a very long connection between the Imperial Bank and the Reserve Bank, and I cannot see why any one should object to that. The Imperial Bank is a great institution. It has achieved a very high reputation in India, and

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whatever may be said as to its unwillingness to enter into certain forms of business,—perhaps, it may be open to criticism on those counts, I cannot say,—but any way no one can question the fact that it has established a high tradition of banking methods in India and is providing an extremely valuable example in India. Looking to the future, one of the great difficulties in the Indian situation is for the Reserve Bank to establish its position as the dominating factor in the Indian money market. It is being born under rather difficult circumstances. It has got to be born under the shadow of a very powerful institution like the Imperial Bank which has been functioning as the Government Bank hitherto, performing one part of the functions of a Central Bank, namely, the function of the control of credit. There are examples in other countries, recent examples, where attempts have been made to set up a Central Bank under the shadow of an existing institution which has performed the functions of a national bank, and in one case at least that I have in mind it has been a failure. I want the House to look at the thing from that point of view, because, looking at it from a practical point of view, one consideration that has always been very present in my mind is this, that unless you can start the Reserve Bank and the Imperial Bank working together on the most friendly terms in a spirit of mutual co-operation, then I personally think that there is very little chance of the Reserve Bank establishing itself properly in this country. **We must** have the goodwill of the Imperial Bank. Hitherto we have had it in every sort of way. There has never been a suggestion on their side that they would make use of their undoubtedly strong position to exact anything that is unfair. I do want to pay a tribute to them for that. They are in a strong position. But they have helped us in every way in connection with our discussions and preparations for this Reserve Bank Bill, and they have never suggested that they would make use of their position to exact anything like profiteering terms.

Raja Bahadur G. Krishnamachariar: Will the Honourable Member kindly ask them to give us some help?

The Honourable Sir George Schuster: I will come to that. The examination that the Auditor General has made—and we had already gone into the whole matter very carefully in the Finance Department—has established the fact that what they claim represents a very fair estimate of their actual out of pocket expenses. They have behaved fairly and I think that we ought to treat them fairly. I do not mean to say that Honourable Members in proposing to reduce this agreement by five years wish to treat them unfairly. I only want to ask the House to look at this matter in the sort of spirit which I consider to be in the public interest, and on the whole,—although I must confess I had at one time my own doubts about it—on the whole I feel very certain in my own mind now, that 20 years, provided we have this term that the actual remuneration is liable to review after 10 years and every subsequent five years—the period of 20 years is the right thing. After all, it does not make very much difference from our point of view. Even 15 years is a very long period from our point of view. It does not make very much difference from our point of view whether it is 15 years or 20 years, but from their point of view, so they tell us, from the point of view of arrangement of their staff it does make a very considerable difference, and

I think on every ground this proposal ought to be supported; we ought to stick to 20 years and not try to cut it down. My Honourable friend, the Raja Bahadur, has asked what we can do to ensure special facilities for credit to landowners, and so on. I would ask my Honourable friend to regard that as a separate problem. The Imperial Bank is performing certain functions very largely in connection with industrial centres. It is not a land mortgage bank; it cannot perform those services.

Raja Bahadur G. Krishnamachariar: But what about short term credits?

The Honourable Sir George Schuster: It may be that in the branch, to which my Honourable friend has to go sometimes, he may not receive all the courtesy that he deserves. I shall take an early opportunity of enquiring into that particular matter. We have, sitting behind, one of the high authorities of the Imperial Bank, and although I cannot address him, I hope he will personally look into that particular matter. But, on the wider issue, I must adhere to my position that 20 years is a fair period.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (1) of clause 45 of the Bill, for the words 'fifteen years' the words 'ten years' be substituted."

Mr. B. Sitaramaraju: On a point of order, Sir. May I ask whether any shareholder of the Imperial Bank is entitled to vote?

Mr. President (The Honourable Sir Shanmukham Chetty): Perfectly entitled to vote.

The question is:

"That in sub-clause (1) of clause 45 of the Bill, for the words 'fifteen years' the words 'ten years' be substituted."

The motion was negatived.

The Assembly then adjourned till Eleven of the Clock on Wednesday, the 20th December, 1933.

LEGISLATIVE ASSEMBLY.

Wednesday, 20th December, 1933.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

QUESTIONS AND ANSWERS.

DEATH OF SAILESH CHATTERJEE, A DETENU IN THE DEOLI DETENTION CAMP.

1445. *Mr. S. C. Mitra: (a) Is it a fact that the deceased detenu Sailesh Chatterjee, was transferred to Deoli on December 14, 1932?

(b) Is it a fact that the deceased detenu wrote a letter on October 14, 1933, to his mother stating therein that he was in perfect health, and that that letter was received by the addressee on October 18, after the death of her son?

(c) Are Government aware that the deceased detenu had a very good physique and was an all round sportsman?

(d) Is it a fact that during the night and day of October 15, the temperature of the deceased was 105 degrees? Will Government please state why he was not sent to the hospital on that day namely, October 15?

(e) Will Government please state from what time on October 14, did his temperature begin to rise? Is it a fact that on October 16 his temperature varied from 103 degrees to 105 degrees?

(f) Have the medical authorities at Deoli examined the tube through which intravenous quinine injection was administered to him and the reactions of which within an hour and a half caused his death? What are the medical qualifications of the man who administered the intravenous injection?

(g) Is it a fact that Atindra, who was a fellow detenu coming from the same district and town, applied for but was disallowed permission to see Sailesh at the Jail Hospital during his illness?

(h) Will Government please explain why was the request for sending the ashes and skull bones of the deceased to his parents for being disposed of according to orthodox Hindu rites turned down?

(i) Will Government please explain what are the special reasons for erasing off from the letters of Atin Roy and other detenus the description of the illness and treatment of the deceased?

(j) Have Government, since my last question, sent any description of the illness and treatment of the deceased to his relatives?

The Honourable Sir Harry Haig: (a) The detenu was transferred to Deoli on September 12, 1933.

(b) I would refer the Honourable Member to my answer to his question on the same subject on the 23rd November last.

(c) I am informed that he had an average physique.

(d) and (e). The detenu's fever began on the evening of October 14, and his temperature was 103 at 8 P.M. on that date. On the 15th his temperature varied from 103 to 104 and on the 16th from 102·8 to 105·2. He was not removed to hospital before the evening of the 16th because it has been found in Deoli that malaria cases usually respond to treatment within the first 48 hours and high temperatures are not uncommon. I may add that when the order was given on the 16th for his removal to hospital, he at first refused to allow himself to be moved unless three of his friends could go with him to nurse him, and this objection was supported by his friends. It was only after some appreciable delay that he could be moved to hospital.

(f) I must very definitely repudiate the allegation that the reactions of the quinine injection caused the death of the detenu. I am informed that the period that elapsed between the injection and the collapse renders that theory untenable, and I presume the Honourable Member does not wish to repeat the suggestion he made on the 23rd November that poison was administered to the detenu. I have ascertained that all the usual precautions were observed before the injection was given. The instrument was sterilized and care was taken to see that the amount of quinine was correct. Similar injections have been given on numerous occasions both before and after this case without any untoward result. The doctor who gave the injection is a Bachelor of Medicine and a Bachelor of Surgery and, in addition, a Bachelor of Science.

(g) Yes, because the application was made late at night and at a time when the condition of the patient was not considered dangerous.

(h) Permission was refused at the request of the Government of Bengal.

(i) The information given in these letters was incorrect and misleading. Atin Roy was not in a position to give the facts of the treatment of the deceased as he was never present with him either before or after his removal to hospital.

(j) I communicated with the Chief Commissioner after the Honourable Member's last question, and I am told that the father of the deceased was informed that he should apply to the Government of Bengal who had been supplied with all the details of his son's illness.

SURVEY OF THE SEA BOARD OF BENGAL FOR STARTING FACTORIES AND WAREHOUSES.

1446. ***Mr. S. C. Mitra:** Will Government please state if the Government of Bengal have taken any steps to survey the sea board of Bengal for the purpose of starting factories and warehouses? If so, when? If not, why not?

The Honourable Sir George Schuster: No. The Bengal Government did not think such a survey was likely to be fruitful in view of the opinion of Mr. Pitt who was placed on special duty to investigate the possibilities of salt production in Bengal that manufacture of salt on a commercial scale is not possible on the Bengal Coast. Mr. Pitt's Report on the subject was appended to the Central Board of Revenue's Second Report to the Salt

Industry Committee of the Assembly copies of which were circulated to the Honourable Members of this House in March, 1933.

INSUFFICIENCY OF GOVERNMENT QUARTERS IN NEW DELHI AND SIMLA.

1447. *U Ba Maung: Is it a fact that the number of Government quarters in New Delhi and Simla is not sufficient to meet the demand of the ministerial staff?

The Honourable Sir Frank Noyce: Yes.

ALLOTMENT OF QUARTERS IN NEW DELHI TO PERSONS WHO ARE KEEN TO GET THEM,

1448. *U Ba Maung: (a) Is it a fact that quarters in Simla are allotted only to those persons who state that they are keen to get them?

(b) If so, have Government considered whether the same practice cannot be established in respect of quarters in New Delhi until more quarters are built and the scarcity is over? If not why not?

The Honourable Sir Frank Noyce: (a) No. Under the rules it is compulsory for clerks who are governed by the new rules relating to Simla house-rent allowance to apply for Government quarters. Those of them who do not wish to occupy Government quarters are permitted to live elsewhere, if the number of applicants for quarters who are willing to occupy them exceeds the number of quarters, and the Estate Officer grants a "no-accommodation" certificate.

(b) Does not arise; but I may explain that those clerks who do not desire to reside in Government quarters at Delhi are under no obligation to apply for them.

RESTRICTIONS ON THE PUBLICATION OF A VERNACULAR WEEKLY NEWSPAPER IN BALUCHISTAN.

1449. *Mr. M. Maswood Ahmad: (a) Has the attention of the Government been drawn to an article published in the *Zamindar* on the 5th December, 1933, under the heading "*Hakumat Baluchistan ke Shiddat ki inteha*"?

(b) Is it a fact that Mr. K. Rahman of Quetta had applied to the Political Agent, Quetta, for permission to publish and edit a vernacular weekly paper?

(c) Is it a fact that the permission was given on the condition that no news or article of political, religious, communal or personal nature should be published in that paper?

(d) Do Government agree with the policy of the Political Agent?

(e) Do Government propose to withdraw the above mentioned restrictions?

Mr. H. A. F. Metcalfe: With your permission, Sir, I will answer questions Nos. 1449, 1450 and 1451 together. Information is being obtained from the local Administration and will be given to the House when it is received.

Mr. M. Maswood Ahmad: Do Government propose to request the Local Government to modify the orders if, in the opinion of the Government of

India, the order is unreasonable or contrary to the policy of the Government of India?

Mr. H. A. F. Metcalfe: The Honourable Member has put his question in a hypothetical form and I can only give a hypothetical answer, which would presumably be in the affirmative if the conditions which he lays down are unfortunately fulfilled.

**RESTRICTIONS ON THE PUBLICATION OF A VERNACULAR WEEKLY
NEWSPAPER IN BALUCHISTAN.**

†1450. ***Mr. M. Maswood Ahmad:** (a) Is it a fact that Mr. A. Achagzai of Gulsitan in Baluchistan had applied to the Political Agent, Quetta, for permission to publish and edit a vernacular weekly paper by the name of *Baluchistan* in October, 1933?

(b) Is it a fact that the application mentioned in part (a) was rejected by the Political Agent, Quetta?

(c) Is it a fact that a copy of the Political Agent's order was refused to be given by the Political Agent?

(d) Do Government propose to instruct the Political Agent, Quetta, to permit the publishing and editing of vernacular papers in Baluchistan Province and to encourage the same?

**RESTRICTIONS ON THE PUBLICATION OF A VERNACULAR WEEKLY
NEWSPAPER IN BALUCHISTAN.**

†1451. ***Manvi Muhammad Shafee Daoodi:** (a) Are Government aware that Mr. Khalilur Rahman of Quetta had applied to the Political Agent, Quetta, for permission to edit a vernacular weekly paper from Quetta, and that he was told that he may edit the paper, but no news or article being of political, communal, or personal nature should be published?

(b) Are Government aware that Mr. Abdussamad Achagzai of Gulsitan in Baluchistan had applied in October last to the Political Agent, Quetta, for permission to edit a vernacular weekly paper by the name of *Baluchistan* for ventilating public opinion in the matter of political, social and religious reforms, but the same was rejected?

(c) Do Government endorse this policy of the Political Agent? If so, why? If not, do Government propose to instruct the Political Agent, Quetta, to permit papers meant for ventilating public opinion to be published in Baluchistan?

**ALLOTMENT OF A PARTICULAR QUARTER TO A PARTICULAR PERSON EVERY
YEAR IN NEW DELHI.**

1452. ***Mr. Uppi Saheb Bahadur:** (a) Will Government please state the reason which has led the Estate Officer to allot a particular quarter every year to a person till he goes out of class irrespective of his dislike for that quarter and his request for a change?

(b) Are Government aware that the refusal to change the allotment when vacancy in a better type of quarters occurs has caused resentment amongst the allottees who are compelled to occupy the same quarter when quarters with better advantages, e.g., new types, and in better localities, become available and are allotted not to them but to new persons who would necessarily be his juniors?

†For answer to this question, see answer to question No. 1449.

(c) Is it a fact that if an allottee asks for a change, his application is treated as a new one and he loses his lien on the quarter allotted to him and which he has been occupying in the past, and he is also treated as the juniormost among the new applicants?

(d) Are Government aware of the hardships pointed out above and are they prepared to issue instructions to remove the anomaly with a view to improve the rules regarding the allotment of quarters?

(e) Is it a fact that tenants in Simla are given an opportunity to change their quarters in accordance with the priority of receipt of application for a change? Why cannot this practice be established in Delhi?

The Honourable Sir Frank Noyce: (a) Presumably the Honourable Member is referring to the allotment of residences in Delhi to married officers whose emoluments are less than Rs. 600 per mensem. It is expressly provided in the rules governing the allotment of these residences that the Estate Officer shall, so far as may be, have regard to any preferences expressed by applicants. He has, however, to allot quarters in accordance with the order of priority prescribed in the rules, and an officer who applies for a transfer of lien is included in the fourth category in the order of priority, thus ranking next below unsuccessful entitled applicants of the preceding year.

(b) Certain applications concerning the operation of the rule regulating transfer of lien have been received, but Government are not aware of any special resentment on the subject.

(c) No. A person who has been allotted and has a lien on a residence is permitted to apply, as a new applicant, for other residences of the same class without losing his lien. His position in the order of priority in respect of his application for transfer of lien is indicated in the reply to part (a) above.

(d) Government are considering the matter in connection with some of the applications referred to in part (b) above.

(e) Yes; in the allotment of residences in Simla to married officers whose emoluments are less than Rs. 600 per mensem, tenants have preference over new applicants, the relative priority among the tenants themselves being determined mainly on the basis of prior occupation, and the date of receipt of each application. As stated in part (d) above, Government have yet to pass orders on certain applications which have been received on this subject.

ALLOTMENT OF UNORTHODOX QUARTERS IN CERTAIN LOCALITIES IN NEW DELHI.

1453. ***Mr. Uppi Saheb Bahadur:** Will Government please state the principle which was followed in the allotment of unorthodox quarters on the Asoka, Mahadeo, Cantonment, Market, Rekabganj and Talkatora Roads and the Park Lane in New Delhi?

The Honourable Sir Frank Noyce: The allotment of the quarters was made strictly in accordance with the rules on the subject, a copy of which has been placed in the Library of the House.

TRANSFER OF SUPERINTENDENTS IN THE OFFICE OF THE CONTROLLER OF RAILWAY ACCOUNTS.

1454. ***Sardar Sant Singh:** (a) Will Government kindly state if it is a fact that some of the present Superintendents in the office of the Controller

of Railway Accounts have been working in that office and its predecessor office since many years?

(b) How many of the present Superintendents in that office have not worked as (i) Superintendents, (ii) Accountants in a subordinate Railway Accounts Office? How many have worked as (i) Superintendents, (ii) Accountants in subordinate Railway Accounts offices for short periods?

(c) If the reply to part (a) be in the affirmative, will Government kindly state why these Superintendents are not transferred to the State Railway Accounts offices and why some of the Superintendents who have been working as such in State Railway Accounts offices for many years are not given the chance of working in the Head Office?

(d) Is it a fact that no Sikh Accountant has ever been posted to the office of the Controller of Railway Accounts since this office came into existence? If so, do Government propose to consider the question of posting to that office one or two Sikh accountants? If not, why not?

Mr. P. R. Rau: (a) Only one out of five.

(b) I understand that two of the present Accountants, Grade I, have not worked in the same capacity in a subordinate Railway Accounts office, but all of them have worked as Accountants in either grade I or II or held an equivalent post.

(c) Transfers between Railway Accounts offices and the office of the Controller of Railway Accounts are arranged as the interests of the public service require.

(d) The statement made by my Honourable friend is incorrect. I understand two Sikh Accountants have in the past been in that office. I may add that it is impossible for Government to agree to be guided by communal considerations in posting staff to individual offices.

TRANSFER OF SUPERINTENDENTS IN THE OFFICE OF THE CONTROLLER OF RAILWAY ACCOUNTS.

1455. ***Sardar Sant Singh:** (a) Will Government please state if special pays and personal and duty allowances of all incumbents in Railway Accounts Offices ceased in 1931?

(b) Is it a fact that one of the superintendents in the Controller of Railway Accounts' office is still in receipt of a duty allowance which will cease on his transfer and will not be given to his successor?

(c) Will Government please state why he cannot be transferred and a substantial annual saving thus effected?

Mr. P. R. Rau: (a) and (b). Yes.

(c) The question of the retention or otherwise of the Superintendent in question must depend on his suitability for the post.

APPOINTMENT OF STAFF IN THE STATISTICAL BRANCH OF THE COMMERCE DEPARTMENT.

1456. ***Sardar Sant Singh:** (a) Is it a fact that a Statistical Branch of the Commercial Intelligence with the Government of India in the Commerce Department has recently been opened at Simla and Delhi?

(b) What will be its functions and why was the necessity of opening it felt now?

(c) How many appointments in the ministerial establishment were sanctioned and how were they filled up?

(d) Is it a fact that Rai Bahadur Banerjee, Deputy Director of Commercial Intelligence, came up to Simla from Calcutta to make the necessary appointments?

(e) Are Government aware that almost all the appointments were filled up by him by Bengalis only? If not, will they please state the number of Bengalis out of the total establishment, as compared with the men of other provinces?

(f) How many of the recruited persons held permanent appointments, and how many of them were new hands who were recruited directly?

(h) Are Government aware that not a single Sikh was taken in any of the grades in any of these new appointments which were made very recently, thus ignoring the Home Department's orders of 1928 regarding recruitment of minority communities? How many Sikh applicants were there, and with what qualifications?

(i) Are Government prepared to order the recruitment of Sikhs in future vacancies? If not, why not?

The Honourable Sir Joseph Bhoré: (a) Presumably the Honourable Member is referring to the Statistical Research Branch of the Department of Commercial Intelligence and Statistics. If so, the reply is in the affirmative.

(b) For the present, the main functions of this Branch are the examination and analysis of the effects of the Ottawa Trade Agreement, the investigation of the various claims for assistance to Indian industries arising under the Safeguarding of Industries Act and the collection and analysis of the data necessary for an appreciation of the economic situation from time to time for the use of Government and of the Reserve Bank when it comes into being. It was necessary to set up this Branch as the situation called for the continuous exercise of the functions of such a specialised organisation.

(c) 11; mostly by trained hands from the Calcutta Office of the Director General of Commercial Intelligence and Statistics considered capable of undertaking this new type of work.

(d) No. Rai Bahadur Banerji came up to Simla to discuss several important and urgent questions with the Director General of Commercial Intelligence and Statistics and did not specifically come for the purpose mentioned in the question.

(e) No. Of the persons appointed, six are Bengalis one of whom is domiciled outside Bengal and the remaining five are from other provinces.

(f) Five held permanent appointments, five formerly held temporary appointments, and one was recruited direct.

(h) Yes. The Home Department orders which refer to all minority communities have not been ignored. As regards the remaining part of the question, information is being called for and will be laid on the table in due course.

(i) The claims of Sikh candidates will be considered along with those of others belonging to other minority communities as occasion arises.

MINISTERIAL STAFF IN THE CENTRAL PUBLICATION BRANCH.

1457. ***Sardar Sant Singh:** (a) What was the total ministerial strength of the office of the Manager, Central Publication Branch, Delhi on 1st October, 1933, and how many of them were Hindus, Muhammadans and Sikhs, belonging to different provinces, who were holding permanent and temporary appointments, respectively?

(b) How many officiating, temporary and permanent vacancies occurred in different grades since its transfer to Delhi and how many were given to Hindus, Muhammadans and Sikhs?

(c) Are Government aware that the office is full of Bengalis only, and, if there is any vacancy, it is not offered to any one but a Bengali?

(d) Do Government propose to stop the further recruitment of Bengalis in any capacity until Sikhs and Punjabis and United Provinces men have been well represented in this office? If not, why not?

The Honourable Sir Frank Noyce: (a) 80. Of this number, 62 were Hindus, 15 Muslims, two Anglo-Indians and one Sikh. With the exception of one Hindu from Madras and one Sikh from the Punjab, the entire staff is from Bengal.

(b) 36 since October, 1932. 24 vacancies were filled by Hindus, five by Muslims, five by Anglo-Indians and two by Sikhs.

(c) Bengalis preponderate as a consequence of the office having been located in Calcutta till recently. The reply to the second part is in the negative.

(d) No. Recruitment is not made on a provincial basis, but Government anticipate that as a result of the transfer of the Branch candidates from other provinces than Bengal are likely to offer themselves in greater numbers.

RECRUITMENT OF SIKHS IN THE AUDIT OFFICE, INDIAN STORES DEPARTMENT.

1458. ***Sardar Sant Singh:** (a) How many temporary, officiating and permanent vacancies occurred in the Audit Office, Indian Stores Department since 1st January, 1932? How many Bengalis were recruited in each grade? How many vacant posts were given to Sikhs?

(b) Are Government aware that a Sikh clerk who some time ago was appointed to make up the communal inequality in this office, died in the end of 1932, or thereabout and that no Sikh was recruited in that vacancy and that appointment was offered to a non-Sikh? What is the name of that gentleman, what are his qualifications and to which Province does he belong?

(c) Do Government propose to order the recruitment of Sikhs in future vacancies?

The Honourable Sir George Schuster: (a) There have been, since the 1st January, 1932, four permanent vacancies, one of which was filled by a Bengali and one by a Sikh; eight officiating vacancies, three of which were filled by Bengalis and one by a Sikh; and seven temporary vacancies, one of which was filled by a Bengali transferred from one of the officiating appointments, and none by Sikhs.

(b) A temporary Sikh clerk died at the end of 1932. A Muslim, Mr. Shuja-ud-din Ahmad, a B.A. of the Delhi University, belonging to the Delhi Province, was appointed in his place.

(c) Members of minority communities will be recruited in future vacancies in accordance with the standing instructions of the Government of India. No special treatment for Sikhs in the Audit Office, Indian Stores Department, is contemplated.

Mr. M. Maswood Ahmad: In connection with part (a), how many posts were filled by Muslims?

The Honourable Sir George Schuster: I must have notice of that question.

RETENTION OF THE CIVIL ASSISTANT SURGEON OF THE COMBINED HOSPITAL, NEW DELHI, FOR MORE THAN THREE YEARS.

1459. ***Sardar Sant Singh:** Will Government please state the time since when the Civil Assistant Surgeon of the Combined Hospital, New Delhi, is stationed at New Delhi? What are the special reasons for keeping him beyond the period of three years at one station?

Mr. G. S. Bajpai: Since the 15th April, 1926. There is no rule limiting the tenure of appointment to three years.

RECRUITMENT OF SIKHS IN THE RESEARCH SIDE OF THE IMPERIAL COUNCIL OF AGRICULTURAL RESEARCH.

1460. ***Sardar Sant Singh:** (a) What is the total number of clerical and technical establishment working in connection with the locust campaign and under certain other research work carried on by the Imperial Council of Agricultural Research? How many of these appointments are held by Sikhs?

(b) How was the recruitment to such posts made, and since when each of these was filled up? Was any Sikh recruited?

(c) If not, will Government please give reasons for not taking any Sikh in these new appointments and thus ignoring the instructions regarding communal inequality in the services, issued by the Home Department in 1930?

Mr. G. S. Bajpai: (a) 29, of which one is held by a Sikh.

(b) Of the seven technical officers, three were recruited through the Public Service Commission, two were borrowed from Local Governments, one was taken from the Royal Institute of Science, Bombay, and the seventh from the Military Dairy Farms Department. Of the 22 clerks, 10 were already in Government employ and 12 were selected by the officers concerned. One of the new entrants is a Sikh. These appointments were filled at different times between 1930 and 1933.

(c) In view of the answer I have given to part (b) of the question, part (c) does not arise.

APPLICATION OF THE REVISED SCALES OF PAY RULES.

1461. ***Mr. Muhammad Azhar Ali:** (a) Will Government kindly state if it is a fact that rule 111 (iii) of the Revised Scales of Pay Rules applies to cases of Government employes who were on probation on or after the 16th July, 1931, with the warning that their confirmation would be subject to such scales of pay as might be eventually prescribed for their respective posts?

(b) Will Government kindly state :

- (i) the number of their employees who were on probation in the superior central services, for which revised scales of pay have been prescribed, on and after the 16th July 1931;
- (ii) the terms regarding pay, etc., on which such employees were recruited; and
- (iii) whether those terms, if there were any, have in all cases been examined and enforced in the light of their bearing on the revised scales of salaries recently introduced by them?

(c) Will Government kindly state if they have arrived at any formula for determining the extent to which the revised scales of pay should apply to the cases of such of the Government employees as, being already in permanent service, are promoted from one class or cadre to another?

(d) Will Government kindly state when the revised scales of pay for the services under the control of the Secretary of State for India are likely to be announced and introduced?

The Honourable Sir George Schuster: (a) Sub-clause (iii) of Rule 8 of the Revised Rates of Pay Rules applies to persons who were on probation on the 15th of July, 1931, and continued to be on probation until their confirmation. The case of those who were appointed on or after the 16th of July, 1931, whether on probation or not, is governed by sub-clause (i) or (iv) of the rule.

(b) The information is not readily available, but as regards (iii) I may say that the Government of India have no reason to believe that these rules are not being enforced.

(c) The decision on this point is stated in the Finance Department Office Memorandum a copy of which I lay on the table.

(d) I would refer the Honourable Member to the reply given by the Honourable the Home Member to parts (b), (d) and (h) of starred question No. 1191 asked by Mr. S. C. Mitra on the 28th of November, 1933.

OFFICE MEMORANDUM FROM THE DEPUTY SECRETARY TO THE GOVERNMENT OF INDIA, FINANCE DEPARTMENT, TO ALL DEPARTMENTS OF THE GOVERNMENT OF INDIA, (INCLUDING THE FINANCIAL ADVISERS AND THE IMPERIAL COUNCIL OF AGRICULTURAL RESEARCH DEPARTMENT), NO. F. 31 (10)-EX. I/33, DATED NEW DELHI, THE 20TH NOVEMBER, 1933.

SUBJECT:—*Regulation of pay of persons who were in service on July 15, 1931, on promotion from one cadre or service to another.*

With reference to paragraph 2 of the Home Department *Press Communique*, dated the 22nd of September, 1933, the undersigned is directed to state that the Governor-General in Council has now decided, in respect of the services and posts subject to his rule-making control in terms of the Civil Services (Classification, Control and Appeal) Rules, that all persons who have been in continuous service since the 15th of July, 1931, and who received no warning at the time of appointment that they would be given the new rates of pay, shall on promotion from a lower to a higher service, or to posts outside the time-scales, or, in the case of certain special appointments, from a lower to a higher post, be entitled to the old rates of pay of the appointment or service to which they are promoted.

No. F. 31 (10)-Ex. I/33.

Copy forwarded to the High Commissioner for India; the Military and Private Secretaries to His Excellency the Viceroy; the Auditor-General; the Central Board

of Revenue; the Controller and the Deputy Controllers of the Currency; the Mint Masters; the Master, Security Printing, India; all Accountants-General (including the Comptrollers, Assam and North-West Frontier Province; and the Deputy Accountant-General, Central Revenues, Calcutta); the Director of Army Audit; the Audit Officer; Indian Stores Department; and all other Audit Officers.

FALL IN THE RUPEE-STERLING RATE.

1462. ***Mr. M. Maswood Ahmad:** (a) Is it a fact that there has recently been a considerable fall in the rupee-sterling rate?

(b) Is it a fact that due to this fall in the rupee-sterling rate bankers who used to quote forward sterling rates upto June are not prepared to quote even beyond February?

(c) What steps do Government propose to take in India's interests in this connection?

(d) Are Government prepared to review the whole situation in connection with the ratio question with a view to change the ratio to 16d.?

The Honourable Sir George Schuster: (a) There was a fall about the beginning of November, but there has subsequently been a substantial recovery.

(b) No. Government understand that the banks have always been ready to quote for genuine business transactions.

(c) The question does not arise.

(d) No.

Dr. Ziauddin Ahmad: May I ask, Sir, what was the lowest limit arrived at during the last month? Was it reduced to 1s. 5 23/32d.?

The Honourable Sir George Schuster: I am afraid I must have notice of that question. I cannot remember all these figures.

Dr. Ziauddin Ahmad: Can the Honourable Member tell me if it has fallen below the minimum rate?

The Honourable Sir George Schuster: Does my Honourable friend suggest that the exchange fell below the lower point?

Dr. Ziauddin Ahmad: Yes.

The Honourable Sir George Schuster: Certainly not.

CONCESSION IN RAILWAY FREIGHT GIVEN TO THE PIONEER PRESS ON ITS REMOVAL FROM ALLAHABAD TO LUCKNOW.

1463. ***Mr. A. Das:** (a) Was any special favour shown by the East Indian Railway to the Pioneer Limited in the matter of freight for the removal of the entire Press from Allahabad to Lucknow?

(b) Was the whole Press sent by passenger train, and goods train rates charged? If so, why?

(c) What would the difference in freights between passenger and goods trains come to on the various consignments sent by the Pioneer Limited in connection with the removal of their Press from Allahabad to Lucknow?

(d) Did the Railway authority concerned allow this concession to the above Press on his own responsibility or was he asked to do so by the United Provinces Government officials interested in the above newspaper?

Mr. P. B. Rau: I am making enquiries from the Agent, East Indian Railway, and will place a reply on the table in due course.

APPEALS FILED AGAINST ASSESSMENTS BY THE ADDITIONAL INCOME-TAX OFFICER, ALLAHABAD.

1464. ***Mr. A. Das:** (a) Is it a fact that the last Annual Report of the Income-tax Department shows that there were twenty-five thousand appeals against assessments of income by Income-tax Officers and Additional Income-tax Officers and that over fifty per cent of the appeals were successful? If so, are Government in a position to indicate any causes for such a large number of appeals and the success thereof?

(b) How many appeals were filed against assessments by the Additional Income-tax Officer at Allahabad, and the total number of his assessments made at Allahabad during the period of his incumbency at Allahabad, and what is the period of incumbency at Allahabad?

(c) Has the Additional Income-tax Officer got any legal qualification, such as an LL.B. degree or any other legal degree?

(d) Are Government aware that in Allahabad great dissatisfaction exists due to hard assessments made on imaginary incomes?

The Honourable Sir George Schuster: (a) The number of appeals filed during 1931-32 was 25,066 of which 10,665 or 43 per cent were successful. As the figure for successful appeals includes all those in which any relief, however small, was given and as, even so, it represents only a little over 3 per cent of the total number of assessments, I cannot agree that it is a large figure calling for explanation.

(b) The total number of assessments made by the Additional Income-tax Officer at Allahabad is 629 and the number of appeals filed against these assessments is 97. He has been stationed there since 31st October, 1932.

(c) No, but he has passed the departmental examination.

(d) No.

ILLNESS OF STATE PRISONER MR. SATYA GUPTA.

1465. ***Mr. S. C. Mitra:** (a) Is it a fact that Mr. Satya Gupta, a State Prisoner at Mianwali, is suffering from sciatic pain?

(b) Is it a fact that all the four State Prisoners at Mianwali are suffering from chronic constipation?

(c) Is it a fact that no attempt has been made by authorities for their proper medical treatment?

(d) Are Government aware that the climate and food, to which they are not accustomed, are ruining their health?

(e) Is it a fact that no letters to non-relatives, however, urgent or innocent, are passed?

(f) Is it a fact that a condolence telegram from a State Prisoner of Mianwali to Mrs. J. M. Sen Gupta, was withheld by the authorities? If so, why?

(g) Is it a fact that some of their business letters were withheld by the authorities? If so, why?

(h) Is it a fact that the Mianwali State Prisoner's life insurance premia are not paid by Government? If so, why?

(i) Is it a fact that telegrams at own cost were sent through Criminal Investigation Department who withheld them or sent them by post to the addressee? If so, why?

The Honourable Sir Harry Haig: (a) It is not a fact that Mr. Satya Gupta is suffering from sciatic pain.

(b) It is not a fact that the four State Prisoners at Mianwali are suffering from chronic constipation.

(c) It is not a fact that no attempt has been made by the authorities for their proper medical treatment. On the contrary, every effort is made to provide them with the best medical treatment.

(d) No. With the exception of Arun Chandra Guha who has been suffering from gouty dyspepsia for which suitable treatment is being accorded to him, all the State Prisoners in the Mianwali jail have been and are on the whole keeping good health.

(e), (f) and (g). The correspondence of these prisoners is conducted subject to certain approved rules and orders, non-compliance with which results in the withholding of the correspondence. The Government of India are satisfied that whenever correspondence has been withheld it has been done for adequate reasons.

(h) The payment by Government of premia on certain insurance policies of two of these State Prisoners has been discontinued in accordance with the principles stated in the answer given by me on the 13th September, 1932, to Mr. S. C. Sen's questions Nos. 226—229.

(i) Telegrams to or from private individuals must pass through the Police Censor who has discretion to withhold any message or to forward it to the addressee by telegraph or by post.

Mr. N. N. Anklesaria: Have Government any settled policy regarding the period of detention of State Prisoners or are they to be detained till their death?

The Honourable Sir Harry Haig: The period of detention must depend on the general circumstances and the conditions prevailing in the terrorist movement.

Mr. S. O. Mitra: Did the Honourable the Home Member notice that when he said "it is not a fact" with reference to a part of my question, several Official Members laughed? Unfortunately there is no other way, even for their relatives, of finding out whether the detenus are suffering from any illness, because, when these detenus write to their relations, important portions are erased. So, mere laughing does not improve matters.

The Honourable Sir Harry Haig: If my Honourable friend is merely anxious to obtain information and will write a letter to me, I will obtain the information for him. Personally, I think it is unfortunate that there should be such a great number of questions asked in this House regarding the details of health of detenus. I have no doubt that the Honourable Member merely wishes to ascertain certain information, but I would ask him to reflect that the continual publication of these allegations does create a mischievous effect in Bengal. It serves to keep alive sympathy with the terrorists as individuals and I am afraid that in that way it tends to stimulate some sympathy with the movement with which they are identified. Therefore, if all that the Honourable Member wishes is to assure himself about the health of these prisoners, I would like to suggest to him that he should communicate with me privately and I will obtain the information for him and communicate it to him.

Mr. S. C. Mitra: I am very thankful to the Honourable the Home Member for the kind assistance that he is agreeable to give me. But the impression that the Honourable Member has created is that he does not know even this simple fact that these detenus are not convicts. They have never been held by any Court of law as having committed any crime. So, it is wholly misleading to say that our questions show any sympathy towards terrorists. These detenus are kept under detention by the Government in jails, not for two or three years, but for four or five years and even more, and some of them die before their relations come to know of their illness. Is it not, therefore, but reasonable that their relations should show some anxiety about them? I may inform the Honourable the Home Member that I get my information from the relations of these detenus and the Honourable Member's information may be given by people who are interested in giving wrong information.

Mr. B. R. Puri: May I ask, Sir, whether it would be feasible for the Government to issue periodically a statement with regard to the health of these detenus which, I believe, might decrease the number of questions, which is the object of the Government and also would be very satisfactory to people who are interested in the health of the detenus. Would it be feasible?

The Honourable Sir Harry Haig: It would be feasible, but I think it would be very undesirable. The Honourable Member does not seem to have appreciated the point of the remarks that I made just now, which is that the publicity given to the detenus has a very mischievous effect in Bengal.

Mr. M. Maswood Ahmad: May I ask, Sir, whether the relatives of these detenus are informed when their telegrams are withheld that such and such portions were objectionable and so the telegrams were withheld?

The Honourable Sir Harry Haig: I am not sure whether information is given by the Censor. I imagine it is.

Mr. K. C. Neogy: Having regard to the fact that the Regulation under which State Prisoners are at the present moment being detained, requires periodical reports to be sent to Government regarding the health of the detenus, will the Honourable Member consider the feasibility of

supplying these reports regularly to the relatives of these detenus which would obviate the necessity of any publicity to which he objects?

The Honourable Sir Harry Haig: Certain health reports are required in the case of State Prisoners and I will consider the Honourable Member's suggestion with regard to that. I do not think similar reports are required in regard to those who are detained under the Bengal Criminal Law Amendment Act.

Mr. K. C. Neogy: I did not mean that: I meant Regulation III of 1818.

The Honourable Sir Harry Haig: I will consider the Honourable Member's suggestion.

Mr. B. B. Puri: That is exactly what I meant also. I did not really mean that the information should be broadcast in the *Hindustan Times* or the *Statesman*. What I meant was that the relatives of these detenus should be put in possession of certain facts.

Mr. President (The Honourable Sir Shanmukham Chetty): There is evidently a desire on the part of certain Honourable Members here to have full information with regard to these detenus, and the Chair thinks it is a perfectly legitimate desire. At the same time it does not appear to be desirable that there should be such volume of questions on the floor of the House on the point. The Chair would suggest that the Honourable the Home Member should meet a few Honourable Members of this House who are interested in the subject and find out a method by which, while undue publicity need not be given, all possible information would be given to the relatives or Honourable Members of this House with regard to the health of the detenus. The Chair does not think there is any use of our discussing it on the floor of the House. The Chair would suggest to the Honourable the Home Member that he may just meet Mr. Mitra, Mr. Neogy and one or two Honourable Members of this House and devise some means of arriving at a satisfactory arrangement.

The Honourable Sir Harry Haig: I should be very glad to meet Honourable Members interested and, as I have already said, if they wish to secure information regarding the health of particular detenus, I shall always be glad to obtain it.

APPLICATION OF THE REVISED SCALES OF PAY RULES TO THE RETRENCHED SUBORDINATE STAFF OF THE STATE RAILWAY ACCOUNTS DEPARTMENT ON RE-APPOINTMENT.

1466. ***Mr. S. G. Jég:** (a) Will Government please state whether the provisions of the notification, published in the Government of India Gazette of October 14, 1933, regarding the operation of the date for new scales of pay for superior railway services, are also applicable to the subordinate clerical staff of the State Railway Accounts Department?

(b) Will Government please state whether in the case of retrenched subordinate staff of the State Railway Accounts Department who had put in sufficiently long and approved service before their discharge and who have now been re-appointed, it is the intention of Government to exclude

them from the operation of the new scales of pay in consideration of their past services?

(c) In case it is not intended by Government to exempt all such persons from the operation of the new scales of pay, do they propose to consider the desirability of exempting at least such of them as had put in a minimum approved service of three years or so before being discharged?

Mr. P. R. Rau: (a) No.

(b) The question is under consideration.

(c) This suggestion will be considered.

REPRESENTATION OF ORIYAS IN THE INDIAN CIVIL SERVICE.

1467. ***Mr. Sitakanta Mahapatra:** Is it a fact that Oriyas are not adequately represented in the Indian Civil Service? Do Government intend to reserve one of the places in the next Indian Civil Service examination to be held in Delhi for Oriyas?

The Honourable Sir Harry Haig: I have no information regarding the number of Oriyas in the Indian Civil Service. Oriyas are not recognised as a minority community for purposes of recruitment to the All-India Services. The latter part of the question does not, therefore, arise.

†1468.*

CONSOLIDATED ALLOWANCE OF TRAVELLING TICKET EXAMINERS ON THE EAST INDIAN RAILWAY.

1469. ***Mr. M. Maswood Ahmad:** (a) Is it a fact that Sir Alan Parsons, when he was Financial Commissioner of Railways, declared in this House that those members of the Crew staff who had put in three years' service were to be treated as permanent staff?

(b) If so, why are the Travelling Ticket Examiners on the East Indian Railway who have been taken over from the old crew system, being treated indifferently in the matter of the consolidated allowance?

Mr. P. R. Rau: (a) If my Honourable friend will refer me to the occasion on which Sir Alan Parsons is supposed to have made this statement, I shall try to check it.

(b) I must ask my Honourable friend to explain in more detail what is the indifferent treatment he refers to.

RECRUITMENT OF SIKHS IN THE CENTRAL PUBLICATION BRANCH.

1470. ***Sirdar Harbans Singh Brar:** (a) Will Government please state the number of Sikhs employed in the Central Publication Branch?

(b) How many vacancies in the regular establishment occurred during the last eight months and how many were offered to the above community?

(c) In what proportion are the other provinces represented in the clerical grades of the Central Publication Branch and what steps are being taken to

†This question was withdrawn by the questioner.

make recruitment to the regular establishment from amongst the candidates who do not belong to the community which is already predominant in that Branch?

(d) To what province does the present Manager belong?

(e) Do Government propose to issue instructions to the Manager of the Central Publication Branch that further recruitment to the regular grades of predominant community in that Branch should be discontinued until the number of communities from other provinces is fairly represented?

The Honourable Sir Frank Noyce: (a) One.

(b) 14 and 2, respectively.

(c) and (e). The attention of the Honourable Member is invited to the replies given by me today to parts (a), (c) and (d) of Sardar Sant Singh's starred question No. 1457.

(d) To no particular Province.

RECOMMENDATIONS OF THE WAR PENSIONS COMMITTEE.

1471. ***Sardar Sant Singh:** Will Government be pleased to state whether the recommendation "that the principles that we have recommended for adoption, in the examination and settlement of claims to disability pension, should *mutatis mutandis*, apply also to the examination and settlement of family pension claims" of the Report of the War Pensions Committee, paragraph 29, is covered under Government orders now passed on some of those recommendations? If so, under what order of the Government of India does this recommendation fall? Have any applications been received under this paragraph? If so, how many, and what is the result of such applications?

Mr. G. R. F. Tottenham: The answer to the first question is in the affirmative. The orders of Government on the report of the Committee did not differentiate between the different classes of pensions, but were intended to apply, *mutatis mutandis*, to all classes.

A certain number of applications have been received, but no record is kept of their exact number. Some are received at Headquarters and others, no doubt, by subordinate offices.

Sardar Sant Singh: What is the reply to the last part of my question? What is the result of the application?

Mr. G. R. F. Tottenham: It is impossible to say what the results are until we know exactly how many applications have been received.

REPORT OF THE MISRA COMMITTEE APPOINTED TO CONSIDER THE APPEALS OF THE TICKET CHECKING STAFF ON THE EAST INDIAN RAILWAY.

1472. ***Sardar Sant Singh:** (a) Is it a fact that the Agent, East Indian Railway, appointed in the beginning of 1932 a Committee under the Chairmanship of Mr. L. P. Misra, Deputy Agent, East Indian Railway, to consider the appeals received from the ticket checking staff absorbed in the Moody-Ward scheme on that Railway?

(b) If so, will Government please lay on the table of this House a copy of the report of that Committee's deliberations, particularly regarding the case of the ex-Inspectors of Crews demoted to lower grades under the Moody-Ward scheme?

(c) Are Government aware that that Committee had its deliberations only in Lucknow and Dinapore Divisions, where the old Travelling Ticket Inspectors of the Accounts Department predominated, and never had its sittings in the remaining Divisions of the East Indian Railway (Howrah, Asansol, Allahabad and Moradabad)?

(d) Are Government further aware that that Committee received no representation from the ex-Inspectors of crews, working in demoted grades, and never recorded their grievances? If they did, will Government please lay on the table of this House the memorial if any, which was received and recorded by them in their proceedings?

(e) Is it also a fact that that Committee announced its intention of a sitting in Moradabad Division and subsequently cancelled the same? If so, how far have their recommendations regarding the ex-Inspectors of Crews, working in demoted grades, been based on evidence?

(f) If the reply to part (a) above be in the affirmative, why was this procedure adopted?

Mr. P. R. Rau: (a) Yes.

(b) As I said in reply to a similar question put by Dr. Ziauddin Ahmad on the 27th February, 1933, the report is a confidential report and not meant for publication and Government are unable to place a copy of it in the Library.

(c) to (f). Government have no information, but consider that, even if all the statements made are correct, they would have no bearing on the decision arrived at by Government.

Mr. M. Maswood Ahmad: Will Government please state if there is any discriminatory treatment as regards consolidated travelling allowance between Allahabad and Howrah Divisions?

Mr. P. R. Rau: I am not aware of any.

Mr. M. Maswood Ahmad: Will the Honourable Member please enquire from the Agent whether there is any discriminatory treatment on these particular divisions?

Mr. P. R. Rau: I think, Sir, I am entitled to ask that, before asking me to make enquiries, the Honourable Member should say what is the discriminatory treatment he refers to.

Mr. M. Maswood Ahmad: In the Allahabad Division, the ticket examiners, whether they are travelling or in the station, get a consolidated travelling allowance, whereas, in the Howrah Division, there is a different system. When they are on tour, they get this consolidated travelling allowance, but they do not get this when they are in the station. I want to know why this discrimination exists between the two Divisions of the same Railway.

Mr. P. R. Rau: I shall get the information.

Mr. B. R. Pari: What is this Moody-Ward scheme? Has it got anything to do with our Honourable colleague, Mr. Mody?

Mr. P. R. Rau: It is a scheme adopted after consideration of the report made by a Committee of two officers on special duty whose names were Moody and Ward.

DEMOTION OF CERTAIN INSPECTORS OF CREWS, EAST INDIAN RAILWAY.

1473. *Sardar Sant Singh: (a) Will Government please lay on the table of this House the information promised in reply to starred questions Nos. 1009, 1010 and 1011, asked by Mr. Muhammad Azhar Ali on the 18th September, 1933, in this House regarding demotion of certain Inspectors of Crews, East Indian Railway?

(b) Will Government please state if it is a fact that these *ex*-Inspectors of Crews were selected and appointed direct as Inspectors of Crews in the Operating Department in the grade Rs. 150—10—200 in preference to almost all the old permanent staff of the ticket checking branch, both of the Accounts and the Operating Department also absorbed in the crew system?

(c) If the reply to part (b) be in the affirmative, what were the criteria which formed the basis of their direct appointment as Inspectors of Crews in the higher grade of Rs. 150—10—200 in preference to almost all the old permanent staff of the ticket checking branch, both of the Accounts and the Operating Departments?

Mr. P. R. Rau: The information required is not yet in the possession of Government. It will be placed on the table on receipt.

SENIORITY OF THE TICKET CHECKING STAFF ON THE EAST INDIAN RAILWAY.

1474. *Sardar Sant Singh: (a) Is it a fact that in fixing the staff in various grades under the present Moody-Ward scheme of ticket checking, inaugurated on the East Indian Railway on and from the 1st June, 1931, a common register of both the permanent and the so-called temporary staff of the ticket checking branch of both the Accounts and the Operating Departments was maintained and seniority determined from their salaries and, if these happened to be equal, then from the length of service of each individual?

(b) If so, was it done in accordance with the Railway Board letter No. 683-E.G. of the 3rd March, 1931, which was placed on the table of this House, *vide* the Legislative Assembly Debates of the 12th February, 1932, Volume 1, No. 11, which lays down that "men who hold temporary appointments but who have completed 12 months' continuous service should be regarded as having equal rights with permanent staff"?

(c) Is it a fact that temporary Inspectors of Crews, who had put in more than 12 months' continuous service, were granted equal rights with permanent staff on the 1st June, 1931, the date of introduction of the present scheme?

(d) Are Government aware of the Agent, East Indian Railway's letter No. 464 of the 26th January, 1927, which lays down that "individual rates of pay are not to be taken into consideration in determining seniority, but

the position is determined from the date of appointment or promotion to the class or grade and if this happens to be equal then from the date of appointment or promotion to the class or grade held before this"?

(e) Is it a fact that these *ex*-Inspectors of Crews, working as Travelling Ticket Examiners from the 1st June, 1931, were considered senior after the 1st June, 1931, to all the Travelling Ticket Inspectors of the Accounts Department, also working as Travelling Ticket Examiners in the same grades from the 1st June, 1931? If so, why?

(f) Is it a fact that all these old Travelling Ticket Inspectors of the Accounts Department (now working as Travelling Ticket Examiners in the Operating Department) on their being restored to their old substantive grades, have superseded in seniority all those *ex*-Inspectors of Crews who are still working as Travelling Ticket Examiners in the grade 70—5—95? If so, why?

Mr. P. R. Rau: I am obtaining information and will lay a reply on the table in due course.

UNSTARRED QUESTIONS AND ANSWERS.

ALLEGED PREPONDERANCE OF BENGALIS IN CERTAIN BRANCHES OF THE GOVERNMENT OF INDIA PRESS, NEW DELHI.

356. **Lieut. Nawab Muhammad Ibrahim Ali Khan:** (a) Is it not a fact that all the following officers of the Government of India Press, New Delhi, are Bengalis:

(i) Timekeeper (ii) General Storekeeper, (iii) Stationery, etc., etc., (iv) Head Reader, (v) Assistant Head Reader, (vi) Overseer, machinery and binding branch, (vii) Assistant Manager, (viii) Mono-mechanic, Lino-mechanic, First Head Assistant, Second Head Assistant and Third Head Assistant, Head Computer, Head Assistant Computer, and Cashier? If so, will Government be pleased to state the reason for giving all high posts to men of one community?

(b) Will Government be pleased to place on the table a list of the Bengali Muslims, Christians and up-country Hindus who have been promoted in the Reading Branch since 1927, with their qualifications?

(c) Will Government be pleased to state how many Bengalis, Muslims and Christians and up-country Hindus have been sent out to London for training?

The Honourable Sir Frank Noyce: (a) No. The following posts are held by Bengalis:

Assistant Manager, Overseer, Head Reader, Cashier (officiating), Head Computer, Time Keeper, Lino Mechanic, Mono Mechanic.

The incumbents of six of these posts were transferred from the Calcutta Press and one of the posts is held by a retrenched employee of that Press.

There are no such posts as Stationery Store Keeper, Assistant Head Reader, First, Second and Third Head Assistants and Head Assistant Computer.

(b) I do not think that any useful purpose would be served by placing a list on the table, but the list can be examined in my Department by any Member who so desires.

(d) Six Bengalis, one of whom is a Muslim.

**APPOINTMENT OF MUSLIMS, CHRISTIANS, ETC., IN THE CENTRAL
PUBLICATION BRANCH.**

357. Lieut. Nawab Muhammad Ibrahim Ali Khan: Will Government be pleased to state how many Muslims, Christians, Bengalis and up-country Hindus have been appointed in the Central Publication Branch since its transfer to Delhi?

The Honourable Sir Frank Noyce: The attention of the Honourable Member is invited to the reply given by me today to part (b) of Sardar Sant Singh's starred question No. 1457.

**VACANCIES OF COMPOSITORS IN THE GOVERNMENT OF INDIA PRESS,
NEW DELHI.**

358. Lieut. Nawab Muhammad Ibrahim Ali Khan: Will Government be pleased to state how many vacancies are there for compositors in the Composing Branch, Government of India Press, New Delhi? Will the Delhi retrenched and fluctuating compositors be taken in accordance with Government orders?

(b) Is it also proposed to take Bengalis from the Calcutta Press?

The Honourable Sir Frank Noyce: (a) There are two permanent and four temporary vacancies. Recruitment to these posts will be made according to Government orders.

(b) Certain men who have been employed on the temporary establishment for periods of 10 to 13 years and are now under reduction from the Calcutta Press are being given preference for employment over men with shorter periods of service employed intermittently on the fluctuating establishment of the Delhi Press.

**AMALGAMATION OF THE GOVERNMENT OF INDIA PRESSES, NEW DELHI
AND CALCUTTA.**

359. Lieut. Nawab Muhammad Ibrahim Ali Khan: (a) Is it a fact that the Government of India Press, Calcutta, is going to be amalgamated with the Government of India Press, New Delhi?

(b) If the answer to part (a) be in the affirmative, will Government please furnish a list of the machines transferred from Calcutta to Delhi, and of the new appointments made?

(c) Will Government be pleased to state the reasons for the amalgamation and whether the Government of India Press, New Delhi, will be a first class press now?

(d) Are Government aware that by the amalgamation of the Calcutta Press with the Delhi Press the work in the Delhi Press has been doubled and the Manager and the Assistant Manager are pressing the staff only to show their faithfulness to Government?

The Honourable Sir Frank Noyce: (a) and (c). The attention of the Honourable Member is invited to the reply given by me to Mr. Bhuput Singh's unstarred question No. 122 on the 20th September, 1938. I am not sure what the Honourable Member means by a first class press, but the change should not affect the quality of the work done.

(b) The machines transferred from the Calcutta Press to the Government of India Press, New Delhi, are six Linotype machines, two Monotype Composition Casters, five Printing machines, one Guillotine, one Sewing machine, one Folding machine and one Iron Standing Press. It is also proposed to transfer one more Monotype keyboard from the Calcutta Press.

(d) The facts are not as stated by the Honourable Member.

FIXATION OF SENIORITY IN THE GOVERNMENT OF INDIA PRESS, NEW DELHI.

360. **Lieut. Nawab Muhammad Ibrahim Ali Khan:** (a) Will Government be pleased to state what procedure has been observed in the Government of India Press, New Delhi, to fix the seniority of a man?

(b) Is it a fact that it all depends on the Manager's own will, who sometimes takes the seniority in service, and sometimes the seniority in pay and efficiency?

(c) Do Government propose to issue an order to the Manager of the Government of India Press, New Delhi, to observe one procedure of test in fixing the seniority of a man?

The Honourable Sir Frank Noyce: (a) Seniority is determined by length of service and date of appointment to a post, grade or class.

(b) and (c). No.

PROMOTION OF MUSLIMS AS ASSISTANTS IN THE GOVERNMENT OF INDIA PRESS, NEW DELHI.

361. **Lieut. Nawab Muhammad Ibrahim Ali Khan:** Will Government be pleased to state if it is a fact that the claims of upper scale Muslim clerks in the Government of India Press, New Delhi, to promotion to the grade of Assistants are ignored by the Manager?

The Honourable Sir Frank Noyce: No. Appointments to and promotions in the clerical establishment are made by, or with the approval of, the Controller of Printing and Stationery.

†362—363.

CONSOLIDATED ALLOWANCE OF THE TRAVELLING TICKET EXAMINERS ON THE EAST INDIAN RAILWAY.

364. **Mr. M. Maswood Ahmad:** (a) Is it a fact that recently the grades have been restored and enhanced consolidated allowance has been fixed for the travelling ticket inspectors on the East Indian Railway at Rs. 35, Rs. 50 and Rs. 65 per mensem?

(b) Are Government aware that this decision has had a very depressing effect on the members of the late Crew System, as also on those old Ticket Collectors who are working as Travelling Ticket Examiners in the Moody-Ward System along with the Travelling Ticket Inspectors?

†These questions were withdrawn by the questioner.

(c) Is it a fact that the nature of work of both the Travelling Ticket Inspectors and Travelling Ticket Examiners is identical and that both belong to the same system of checking?

(d) Is it also a fact that the majority of the members of the late Crew System possess higher educational qualifications than the majority of the Travelling Ticket Inspectors?

(e) Are Government aware that the present scale of consolidated allowances of the Travelling Ticket Examiners at Rs. 20 and Rs. 15 with the cut is hardly sufficient to cover their expenses while on the line?

(f) Is it a fact that a pointsman on Rs. 17, an Assistant Station Master on Rs. 51, and a Ticket Collector (grade III) on Rs. 52, while out of headquarters, get annas eight, rupee one and rupee one, respectively, per diem as daily allowance, while the Travelling Ticket Examiners on the East Indian Railway on Rs. 64 and Rs. 95 per mensem get only Rs. 7 and Rs. 10 per mensem as their running allowance?

(g) Are Government prepared to consider the advisability of granting the same consolidated allowances to the Travelling Ticket Examiners as have already been given to the Travelling Ticket Inspectors? If not, will they please state the reasons?

Mr. P. B. Rau: (a) Orders were issued in December, 1932, sanctioning consolidated travelling allowances to Travelling Ticket Examiners who, prior to the Crew System, held permanent posts of Travelling Ticket Inspectors in a substantive capacity and drew a mileage or running allowance. They were also allowed the option of retaining the scale of pay applicable to the permanent posts held by them in a substantive capacity prior to the introduction of the Moody-Ward scheme with the benefit of increments therein.

(b) Government have received certain memorials from certain staff.

(c) and (g). I have explained in reply to question No. 476 asked by Sardar Sant Singh on the 4th September, 1933, the reasons for Government deciding as an *ex-gratia* measure to grant a higher consolidated travelling allowance to persons holding posts of Travelling Ticket Examiners at present who, prior to the Crew System, had held permanent posts of Travelling Ticket Inspectors in a substantive capacity and drawn a mileage or running allowance.

(d) Government have no information.

(e) The rates mentioned are correct, but the rest is a matter of opinion.

(f) Government have no information.

CONSOLIDATED ALLOWANCE OF THE TRAVELLING TICKET EXAMINERS ON THE EAST INDIAN RAILWAY.

365. **Mr. M. Maswood Ahmad:** (a) Will Government be pleased to state what action has been taken on the representation of the new Travelling Ticket Examiners, taken over from the staff of the old Crew System of the East Indian Railway, submitted in April, 1933, regarding the grade and enhanced consolidated allowance sanctioned to the old Travelling Ticket Inspectors?

(b) If no action has yet been taken, why? If anything has already been decided, what is the result, and has the same yet been communicated to the appellants?

Mr. P. R. Rau: I would refer my Honourable friend to the reply I gave to his starred question No. 1385 on the 11th December, 1933.

BASIS AND PURPOSE OF GRANTING THE CONSOLIDATED ALLOWANCE TO THE RUNNING STAFF OF THE RAILWAYS.

366. Mr. M. Maswood Ahmad: (a) Will Government be pleased to state the basis and purpose of granting the consolidated allowance to the running staff of the Railways?

(b) Will Government be pleased to state why the new Travelling Ticket Examiners are deprived of this privilege?

Mr. P. R. Rau: I presume my Honourable friend is referring to the higher consolidated allowance to Travelling Ticket Examiners who, prior to the Crew System, held permanent posts as Travelling Ticket Inspectors in a substantive capacity and drew a mileage or running allowance. If so, I would refer him to my reply to his question No. 364.

TRANSFER OF THE CIVIL ASSISTANT SURGEON, NEW DELHI COMBINED HOSPITAL.

367 Mr. Bhuput Sing: (a) For how long has the present Civil Assistant Surgeon, New Delhi Combined Hospital, been holding this appointment and how long is he likely to continue here?

(b) Do Government propose to replace him by a suitable man in order to let the other gentlemen have a chance to work at the Government of India headquarters? If not, what are the reasons for allowing him to continue indefinitely?

(c) After how long is an Assistant Surgeon or a Sub-Assistant Surgeon required to be transferred ordinarily?

Mr. G. S. Bajpai: (a) and (b). The present Civil Assistant Surgeon has held the post since 15th April, 1926. He is to be transferred shortly.

(c) Ordinarily after five years.

RECRUITMENT OF COMPOSITORS IN THE GOVERNMENT OF INDIA PRESS, NEW DELHI.

368. Bhagat Chandi Mal Gola: (a) Is it a fact that some compositors are being recruited in the Government of India Press, New Delhi?

(b) If so, is it a fact that the Manager of the Press is going to fill up these vacancies by recruits from Calcutta, in preference to men who have worked in the Press for long periods? If so, why?

(c) Is it a fact that the claims of the fluctuating compositors, who have worked for periods as long as six years are being entirely ignored by the Manager of the Press and that preference is being given to Calcutta men? If so, why?

The Honourable Sir Frank Noyce: (a) Yes.

(b) The Honourable Member's attention is invited to the answer given today to part (b) of Lieutenant Nawab Muhammad Ibrahim Ali Khan's starred question No. 358.

(c) No fluctuating compositors have been employed continuously for six years. They were formerly employed principally during the winter. Preference is being given to men with longer service.

THE RESERVE BANK OF INDIA BILL.

Mr. President (The Honourable Sir Shanmukham Chetty): The House will now resume consideration of clause 45 of the Reserve Bank of India Bill. The next amendment is No. 315 in the name of Mr. Thampan.

Mr. K. P. Thampan (West Coast and Nilgiris: Non-Muhammadan Kural): Sir, I beg to move:

"That in sub-clause (7) of clause 45 of the Bill, for the words 'five years' the words 'two years' be substituted."

Sir, you will find in clause 45, there are three stages in the term of agreement with the Imperial Bank. The first is fifteen years duration and then the period until a notice is given and after that another five years. Evidently this period of five years is required for making the necessary arrangement to wind up this department of the Imperial Bank. My amendment does not deal with the first two stages, either with the fifteen years contract on which the House has already given its verdict or the indefinite period before notice is given. When once notice is given, I do not understand why five years are necessary. I believe even now the notice required to be given to the Imperial Bank before determining their treasury work is one year and this is, for all practical purposes, sufficient. I have, however, provided for two years. Five years are unnecessarily long. I find my Honourable friend, Mr. Mudaliar, has given notice of an amendment putting down three years. I would request my Honourable friend to consider whether three years are necessary and support my amendment if he can. I think two years are ample, and I hope the House will accept my amendment. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved.

"That in sub-clause (7) of clause 45 of the Bill, for the words 'five years' the words 'two years' be substituted."

The Honourable Sir George Schuster (Finance Member): Sir, I would submit that the House really took a decision on this issue yesterday. The whole of the discussion yesterday, I think I am correct in saying, was on the basis that our proposals secured a minimum of 20 years for the duration of this agreement. Therefore, I would put it to you that the House really has already considered this issue. On the merits of the case, I must point out to my Honourable friend that a period of two years would really be quite inadequate. The arrangements involved are of a very complicated nature, they involve, as I have already pointed out, a large amount of staff and it is not fair to expect the Imperial Bank to

[Sir George Schuster.]

change its whole position within two years. From a practical point of view, it really would be quite impossible. On these grounds, I must oppose the amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (1) of clause 45 of the Bill, for the words 'five years' the words 'two years' be substituted."

The motion was negatived.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, I beg to move:

"That for sub-clause (2) of clause 45 of the Bill, the following sub-clauses be substituted:

'(2) The Bank may also enter into similar agreements with any scheduled bank for agency work on such terms and conditions as may be mutually agreed upon and such agreements shall be subject to the approval of the Governor General in Council and shall be expressed to come into force on the date on which each is executed and to remain in force for not more than ten years.

(3) The agreements referred to in sub-sections (1) and (2) shall, as soon as may be after they are made, be laid before the Central Legislature'."

My object is that the agreement we have made with the Imperial Bank may not be restricted to that Bank, but the Reserve Bank may be at liberty to make similar arrangements with other scheduled banks, but all these agreements should require the approval of the Governor General in Council and this is quite in keeping with the recommendation of section 21 (4) where all the agreements made with the Reserve Bank require the approval of the Central Legislature. Here I say that they should require the approval of the Governor General in Council. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That for sub-clause (2) of clause 45 of the Bill, the following sub-clauses be substituted:

'(2) The Bank may also enter into similar agreements with any scheduled bank for agency work on such terms and conditions as may be mutually agreed upon and such agreements shall be subject to the approval of the Governor General in Council and shall be expressed to come into force on the date on which each is executed and to remain in force for not more than ten years.

(3) The agreements referred to in sub-sections (1) and (2) shall, as soon as may be after they are made, be laid before the Central Legislature'."

Mr. B. V. Jadhav (Bombay Central Division: Non-Muhammadan Rural): Sir, I rise to support this amendment. The provincial banks have not been included in the list of scheduled banks, but I think, that before long after the starting of the Reserve Bank, some of the provincial co-operative banks will come under the scheduled banks. And, then, as these banks have got branches in smaller places, where neither the Imperial Bank nor any of the other exchange banks are expected to open branches, the branches of the provincial co-operative banks will have a very good opportunity if they are given agencies for those places. Therefore, such an authority to the Reserve Bank to make a contract with a

scheduled bank is very necessary and I, therefore, support this amendment.

Diwan Bahadur A. Ramaswami Mudaliar (Madras City: Non-Muhammadan Urban): Sir, I do not know whether there is not some slight confusion in this matter. As I understand the scheme of the Bill, the Reserve Bank is at liberty to enter into agreements with any scheduled bank regarding the agency terms apart from the branches of the Imperial Bank which exist at the time when the Reserve Bank comes into operation. There was a clause in the original Bill of 1927-28 in which it was stated that the Reserve Bank shall also accept such new branches of the Imperial Bank as may be opened as its agency offices. That was specifically removed both in the Select Committee on that Bill and in the present Bill. Therefore, I expect that the Reserve Bank, apart from its commitment to agencies of the Imperial Bank branches existing at the time when the Reserve Bank comes into operation, will be at perfect liberty to utilise the branches of any of the scheduled banks for its agency operations. In fact I should expect the Reserve Bank to adopt that course. The Reserve Bank must be in a position to establish itself as a fairly impartial authority with reference to all scheduled banks, and, therefore, it cannot restrict itself only to the Imperial Bank in case it wants an agency at a place where the Imperial Bank has not got at present a branch. The only two new points, that my friend has suggested, are, that the agency should be limited only to ten years with reference to any such scheduled banks, and that the terms of the agreement should be placed before the Governor General in Council for approval. I do not know really whether the latter condition is necessary. We must give the Reserve Bank some amount of discretion in these matters and when there is the obvious fact that the Reserve Bank has entered into an agreement with the Imperial Bank agencies on certain conditions. I take it that the Reserve Bank will follow similar conditions in case it enters into any agreement with any of the other scheduled banks. Nor is it necessary that such details should be brought before the Legislature for confirmation or approval. The Legislature can, I take it, have this information at any time if it so chooses and my friend does not require a positive approval of the Central Legislature with reference to the terms of the agreement. I think, Sir, that the position so explained makes it quite unnecessary that this amendment should be adopted.

The Honourable Sir George Schuster: Sir, I endorse everything that has been said by my Honourable friend who has just spoken. On the grounds which he has advanced, I consider that this amendment is unnecessary and, therefore, should be opposed.

Dr. Ziauddin Ahmad: Is it unnecessary because the provision already exists elsewhere?

The Honourable Sir George Schuster: I said I endorse everything that my Honourable friend said. The provision exists already in clause 6.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That for sub-clause (2) of clause 45 of the Bill, the following sub-clauses be substituted:

[Mr. President.]

"(2) The Bank may also enter into similar agreements with any scheduled bank for agency work on such terms and conditions as may be mutually agreed upon and such agreements shall be subject to the approval of the Governor General in Council and shall be expressed to come into force on the date on which each is executed and to remain in force for not more than ten years.

(3) The agreements referred to in sub-sections (1) and (2) shall, as soon as may be after they are made, be laid before the Central Legislature."

The motion was negatived.

Clause 45 was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The House will now come back to clause 33 and dispose of the amendments to sub-clause (4) of that clause. It is understood that Honourable Members do not wish now to move their amendments. (*Several Honourable Members*: "No.")

The question is:

"That clause 33, as amended, stand part of the Bill."

The motion was adopted.

Clause 33, as amended, was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): On the Order Paper Honourable Members will observe an amendment, No. 320, standing in the name of Mr. Sitaramaraju. As this amendment seeks to incorporate new clauses and introduces an entirely new subject, the Chair proposes to take these amendments after all the clauses are disposed of.

The question is:

"That clause 46 stand part of the Bill."

Dr. Ziauddin Ahmad: Sir, I beg to move:

"That clause 46 of the Bill be omitted."

The object of this clause is that if these shareholders bring in a sum of five crores, Government should in addition also present to them another sum of five crores in their reserve. This is a proposition which is quite unheard of. It was not the recommendation of the London Committee, it was not in the 1927 Bill and it is in no Constitution. Suddenly the Select Committee thought it fit that we should make a present of five crores to the shareholders, but if Government are prepared to make a present of these five crores to these shareholders, why not start a State Bank with this money? This proposition appears to me to be quite unreasonable. I call these shareholders *nimboo-nichors*, and, after squeezing the lime, they partake of the meal. But that is not enough. In this particular clause, we provide something further that a fee for grinding the teeth should also be paid to these *nimboo-nichors*. When they bring these five crores and bring these lemons and partake of the meal, because they have showed kindness in grinding the teeth which they necessarily do in eating, therefore something must be paid as a fee for their labour, some *dakshina* in the shape of a paltry sum of another five crores. That is the real issue in this particular clause and I cannot understand why this provision has quietly been inserted.

The other thing is that, out of these five crores, the shareholders will take one per cent every year. So this really means that we are giving another privilege of one per cent to these shareholders. We are already giving them much more than the bank rate of interest and now we are giving them another one per cent out of this amount. This award of five crores reminds me of a small story. One person said: "I will tell you a method for catching hold of a buck." "What is it", asked the other man. Then this person said: "Take a little wax and put it over the horns of the buck: when the wax melts in sunshine, the eyes will become covered with it and he will become blind, then you can go and catch the buck by its horns." Thereupon the other person told him: "Why could I not catch hold of the horns when I go to put the wax on his horn?" Then the first man said: "Yes, that is another method of catching hold of the buck." "Yes, and easier one" was the reply. I say, if you give five crores of rupees as a present to these shareholders, why not start the Bank straight off as a State Bank with these five crores? The idea that we want five crores from shareholders, because we needed them, then falls to the ground. We are not in need of money from outside to start the Bank, because we are giving a present of five crores ourselves to these shareholders.

Before I sit down, Sir,—I am not going to make any other long speech in the course of the day—I wish to refer to one or two matters of which I was accused yesterday and to which I had no opportunity to reply. One accusation came from Mr. Studd, that my amendments ought to have been moved in the Select Committee. I am not the only person responsible for all these amendments as the Honourable the Finance Member and you, Sir, are very well aware: they were originally moved by a person who himself was a member of the Joint Select Committee; evidently, therefore, a member of the Select Committee himself was dissatisfied and he moved all the amendments

Mr. E. Studd (Bengal: European): What I said was, not that I thought that these things ought to have been moved in the Select Committee, but that, as they had been discussed in the Select Committee with the members of the Select Committee and the bankers, I thought that was the strongest argument for the House to accept it.

Dr. Ziauddin Ahmad: That is a different thing, whether the House should accept it or not; but the fact that these amendments were brought in by a member of the Select Committee and also by a person who was not a member of the Select Committee, signify their importance. My Honourable friend, the Finance Member, said that he ought to introduce a fourth stage, that members of the Select Committee ought to be examined by the Members: but in this case it was really moved by the members of the Select Committee. He cannot examine himself. I would just like to point out that if any person has a right in this House to import a little heat into the discussion, it is I, for this reason that I neither have breakfast, nor lunch, nor afternoon tea, because I am fasting on account of Ramzan; and the Honourable the Finance Member, who has his breakfast, lunch and tea, had no right to introduce any heat into the debate.

One more point to which I would like to draw attention is this: the Honourable the Finance Member, in the important discussion on the ratio, eulogised Mr. Sarma and Mr. Scott for delivering goods from the wholesale

[Dr. Ziauddin Ahmad.]

merchant in Calcutta without examining the goods. I think probably he forgot that it applied more to himself than to Mr. Scott or Mr. Sarma, because he is really more responsible for bringing these goods in a wholesale form. When you, Sir, delivered your important speeches on the floor of the House, a similar eulogy was given that these things were borrowed from a paper called the *Indian Finance*. The *Indian Finance* is one of the most important papers, and, in the absence of any official information, as we have no recourse to official documents, it is the only paper on which our facts and figures can possibly be based. So this criticism amounts to nothing. I should like to point out one thing in this connection: when it is not convenient to reply to any argument, and it is intended to avert, then such expressions are used. But to avoid giving arguments in reply to arguments, and indulging in such remarks is a fallacy; and if my friend looks into Mill's Book on Logic and consults the chapter on Fallacy, he will find that this particular fallacy is called *argumentum ad hominum*: when you cannot meet the arguments of your opponents, tell them that they are delivering the goods of a firm which you have not particularly examined. You are committing a fallacy really of *argumentum ad hominum*.

One more word. I was really very delighted when the Honourable the Finance Member began to describe the rural life yesterday; it reminded me of a book written by a person on the sceneries of Kashmir and the man who wrote it had never been in India, but wrote it entirely in the British Museum. My friend has never probably been in a village, but he gave a very detailed description: probably he might not have committed so many mistakes had he consulted his Civilian colleagues on this particular point. For example, he said that the greatest burden of the real depression is taken up by moneylenders and not by agriculturists. Here are my agriculturist friends—three of them sitting at the back—I just draw their attention to the theory of the Honourable the Finance Member that the real depression is taken up by the moneylenders and not by the agriculturists. . . .

Kunwar Hajee Ismail Ali Khan (Meerut Division: Muhammadan Rural). All three are not agriculturists: one of them is an army member! And I am not sitting in the back benches, but on the second benches.

Dr. Ziauddin Ahmad: The theory advanced is that the real depression is taken up by the moneylenders and not by the agriculturists. I am not myself a moneylender or an agriculturist. It is for the agriculturists to say whether they agree with the above theory. The fact is that the moneylender has forgone his interest: it is compounded; but, at the same time, the payment has been merely withheld: as soon as the depression is over, the money will be collected with compound interest. . . .

Mr. K. C. Neogy (Dacca Division: Non-Muhammadan Rural): Mr. Abdul Aziz has advised repudiation of debts, and it has been in a way endorsed by the Finance Member.

Dr. Ziauddin Ahmad: That is a distinct question; but here the question is that the depression does not fall upon the agriculturist, but upon the moneylender. As regards prices of other articles, prices of all eatables

move in harmony, there is a definite distinction between manufactured articles and eatables, and our difficulty all the time is that these two do not move in sympathy. Sir, I move my original motion.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That clause 46 of the Bill be omitted."

Mr. Bhuput Sing (Bihar and Orissa: Landholders): Sir, I think my esteemed friend, Dr. Ziauddin Ahmad, is under some confusion. The insertion of this clause was made in order that the total income from the Issue Department may go to the general revenues; otherwise, some part of that income will go to make up the reserve. How is the shareholder going to get the benefit of the Reserve? There is no chance of the Bank going into liquidation: but, supposing it goes into liquidation within a year, then the shareholders will get only one per cent over their share value. On the other hand, if the reserve is not provided for, the income from the Issue Department will also go to make up the reserve and, in that case also, if the Bank goes into liquidation, the shareholders will get one per cent over their share value. So there is no necessity for moving such an amendment. Sir, I oppose the amendment.

Dr. Ziauddin Ahmad: May I just put a question to the Honourable Member? Are you prepared to spend five crores at a time of depression like the present and when the budgetary position is so bad?

Mr. Bhuput Sing: There is no question of spending five crores. It is merely a question of transferring the securities to the Reserve Bank.

The Honourable Sir George Schuster: Sir, I am grateful to my friend who has just spoken for explaining the real position. I think that the Honourable the Mover has hardly done justice to his case in this particular instance. The clause which he seeks to delete is a very important one, it is based on a well thought out plan which was fully explained in a memorandum put before the Select Committee, and the Select Committee have dealt with it fully in their Report. If my friend wishes to object to the scheme, I think he should have explained his reasons more fully. As the Honourable Member, who has just spoken, has pointed out, this provision really makes no difference to the shareholders as far as their share of profits is concerned. According to the original plan, a reserve of five crores had to be built up by taking substantial sums from the profits of the Issue Department year by year. We felt that that was really creating an embarrassment for the Central Government's revenues which had no logical justification, and we made this proposal as an alternative. What we are really doing is handing over a margin of securities in addition to those which form the reserves against the note issue, a margin of five crores, which will be available for making up any fall in the value of the securities that we are handing over. It is an entirely reasonable provision, and having regard to what are likely to be the budgetary requirements of the Central Budget in the next four or five years or five to ten years, I think that the new arrangement which we have proposed is a highly desirable one. My friend has criticised it on the ground that it was not recommended by the London Committee. Here, Sir, we have a real home made product.

[Sir George Schuster.]

This proposal was made in India, worked out by brains in India, and I think on that ground my friend, above all, should support it. Sir, I must oppose this amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 46 of the Bill be omitted."

The motion was negatived.

Clause 46 was added to the Bill.

Clause 47 was added to the Bill.

Clauses 48 and 49 were added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 50 stand part of the Bill."

Mr. K. P. Thampan: Sir, I beg to move:

"That in sub-clause (1) of clause 50 of the Bill, after the word 'auditors', in line 1, the words 'of whom one at least shall be an Indian' be inserted."

Sir, clause 50 provides for the appointment of two auditors, and my desire is that of the two auditors, one at least should be an Indian. Of course, my friend, Mr. James, will twit me with attempting to introducing racial discrimination again, and on that ground the Finance Member also may oppose this amendment. But, Sir, my hope and desire is that both the auditors should be Indians, but the chances are, if no definite provision is made, we shall not have even one Indian, and, therefore, I desire to specifically provide that of the two at least one should be an Indian. I prescribe the minimum so as not to prevent both the auditors being appointed from the Indian community. The proposal, if adopted, will create greater confidence in the minds of Indians, and I, therefore, desire that it should be statutorily provided that one at least shall be an Indian.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (1) of clause 50 of the Bill, after the word 'auditors', in line 1, the words 'of whom one at least shall be an Indian' be inserted."

The Honourable Sir George Schuster: Sir, on the grounds which I have so often explained to the House in connection with other amendments, I must oppose this amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (1) of clause 50 of the Bill, after the word 'auditors', in line 1, the words 'of whom one at least shall be an Indian' be inserted."

The motion was negatived.

Dr. Ziauddin Ahmad: Sir, I beg to move:

"That in sub-clause (1) of clause 50 of the Bill, for the words 'Any auditor shall be eligible for re-election on quitting office' the words 'No auditor or all the partners of the same firm of auditors shall be eligible for re-election more than thrice' be substituted."

The intention of this motion is that the partners of the same firm should not continue to remain as auditors year after year, that is to say, there should not become a kind of perpetual concern of one particular firm, as we have seen in the case of some banks in this country. We must try and avoid that auditors should not hold office for life, as the Directors would be, under the present scheme, and they can only be removed by an act of God. Therefore, the idea is simply this, that after some years, fresh blood must come in. If you get a new auditor, he will bring with him new ideas, new schemes and new principles, but, after a certain number of years, all his ideas are exhausted or worn out, and he cannot think of new schemes or new ideas. This is the principle we always adopt in educational institutions; the same person is not appointed to examine accounts after a certain number of years, because his ideas are all worn out after a certain number of years.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (1) of clause 50 of the Bill, for the words 'Any auditor shall be eligible for re-election on quitting office' the words 'No auditor or all the partners of the same firm of auditors shall be eligible for re-election more than thrice' be substituted."

Diwan Bahadur A. Ramaswami Mudaliar: Sir, sub-clause (1) of clause 50 refers to the election of auditors at a general meeting of the shareholders. It does not refer even to the first appointment. I do not see why the discretion of the shareholders at a general meeting should be curtailed either by prescribing that a certain number of Indians should be elected or that an auditor should not be elected for more than a particular number of occasions. The House has already had under consideration a similar proposal with reference to the election of Directors, and the House rejected it. On that analogy, I think it will be best to leave the choice of auditors to the general meeting of the shareholders, and I do not think any of the apprehensions that have been expressed, either by my friend, Mr. Thampan, on his last amendment or by my friend, Dr. Ziauddin, will really have much force. I think, Sir, this is a case in which the shareholders in a general meeting should have absolute discretion to manage this affair in their own way. The power of electing an auditor is a very real power in the hands of the shareholders, and when Honourable Members have been suggesting that the shareholders have not got sufficient powers under this Act, I think this is a specific power that has been given in the Bill, and I think this power must be retained for the shareholders to decide at their annual general meeting.

Mr. Muhammad Ashar Ali (Lucknow and Fyzabad Divisions: Muhammadan Rural): Sir, so far we have seen that the powers of the shareholders under this Act are very very limited. In companies, of which I have some experience, I have always found in the rules as well as in the Articles of Association that the shareholders have a right to nominate their own auditors. So I don't see any reason why we should depart from that principle which has been already in existence for a long time. I think my friend,

[Mr. Muhammad Azhar Ali.]

Dr. Ziauddin Ahmad, who has moved this amendment, should rather see that the right of electing auditors at least which has been given to the shareholders is not in any way curtailed. When the ordinary companies have such rights, I do not see any reason why the Reserve Bank should not have such a right.

The Honourable Sir George Schuster: I must thank my Honourable friend, Mr. Ramaswami Mudaliar, for having saved me the trouble of dealing with my Honourable friend, the learned Doctor's arguments. On the grounds that have already been advanced, I must oppose this amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (1) of clause 50 of the Bill, for the words 'Any auditor shall be eligible for re-election on quitting office' the words 'No auditor or all the partners of the same firm of auditors shall be eligible for re-election more than thrice' be substituted."

The motion was negatived.

Clause 50 was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 51 stand part of the Bill."

Dr. Ziauddin Ahmad: I beg to move:

"That for clause 51 of the Bill, the following be substituted:

'51. Without prejudice to anything contained in section 50, the Governor General in Council and the Central Legislature may at any time appoint the Auditor General or such qualified auditors, with other persons if necessary as they may think fit to examine the affairs and audit the accounts of the Bank and to make report to the Governor General in Council and the Central Legislature as the case may be.'"

The object of this motion is that we have got no provision for a really good supervision of the Bank. In the case of companies, the Registrar has got very wide powers, and he can practically examine the whole of the accounts. In the case of the Reserve Bank, there is no authority which can examine the whole thing very thoroughly, and in this amendment it is provided that, if things go wrong, then the Central Legislature should have the power to have the accounts of the Reserve Bank audited.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That for clause 51 of the Bill, the following be substituted:

'51. Without prejudice to anything contained in section 50, the Governor General in Council and the Central Legislature may at any time appoint the Auditor General or such qualified auditors, with other persons if necessary as they may think fit to examine the affairs and audit the accounts of the Bank and to make report to the Governor General in Council and the Central Legislature as the case may be.'"

The Honourable Sir George Schuster: I must oppose this amendment. Under clauses 50 and 51, the provision for audit is very full and I am at a loss to understand what my Honourable friend means by saying that in

the case of the Reserve Bank the possibilities of control are less than they are in the case of an ordinary joint stock company. I think they are perfectly adequate, and on this ground I oppose the amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That for clause 51 of the Bill, the following be substituted:

'51. Without prejudice to anything contained in section 50, the Governor General in Council and the Central Legislature may at any time appoint the Auditor General or such qualified auditors, with other persons if necessary as they may think fit to examine the affairs and audit the accounts of the Bank and to make report to the Governor General in Council and the Central Legislature as the case may be.'

The motion was negatived.

Clause 51 was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 52 stand part of the Bill."

Dr. Ziauddin Ahmad: I move:

"That in sub-clause (1) of clause 52 of the Bill, for the word 'annual' in the second line, the words 'half-yearly' be substituted."

This is a very small amendment. Half-yearly balance sheets are made out in the case of the Imperial Bank and other banks, and I submit that it will be convenient if we have such half-yearly balance sheets also for the Reserve Bank. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (1) of clause 52 of the Bill, for the word 'annual' in the second line, the words 'half-yearly' be substituted."

The Honourable Sir George Schuster: Sir, I consider that my Honourable friend's proposal is unnecessary and I oppose it.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (1) of clause 52 of the Bill, for the word 'annual' in the second line, the words 'half-yearly' be substituted."

The motion was negatived.

Clause 52 was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 53 stand part of the Bill."

Dr. Ziauddin Ahmad: I move:

"That in sub-clause (1) of clause 53 of the Bill, after the words 'Governor General in Council', where they occur for the first time, the words 'not later than three days after the close of the account it relates' be inserted."

[Dr. Ziauddin Ahmad.]

The intention is that this thing should be published at regular intervals as is done now by the Government. That is my intention, and I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (1) of clause 53 of the Bill, after the words 'Governor General in Council', where they occur for the first time, the words 'not later than three days after the close of the account it relates' be inserted."

The Honourable Sir George Schuster: I must oppose this amendment. It might prove impracticable at seasons of the year when there are holidays and I think it is unnecessary. I oppose the amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (1) of clause 53 of the Bill, after the words 'Governor General in Council', where they occur for the first time, the words 'not later than three days after the close of the account it relates' be inserted."

The motion was negatived.

Dr. Ziauddin Ahmad: I move:

"That for sub-clause (2) of clause 53 of the Bill, the following be substituted:

'(2) (a) At each General Meeting the Central Board shall lay before the meeting a Statement of the Income and Expenditure and a Balance-sheet, containing the particulars of the assets and liabilities of the Bank, made up to a date not more than two months before the meeting.

(b) Every such statement and balance-sheet shall be accompanied by a Report of the Central Board on the working of the Bank throughout the year and as to the state and condition of the Bank, and as to the amount (if any) which has been paid or which will be paid out of the profits by way of dividend to the shareholders, and the amounts (if any) which under the Act go to credit of the fund for strengthening the gold reserves of the Bank and to the Reserve Funds, according to the provision in that behalf contained in the Act; and the Statement, Report and Balance-sheet shall be signed by the Governor, Deputy Governors, three Directors and countersigned by the Chief Accountant of the Bank.

(c) A printed copy of the Report, accompanied by the audited Balance-sheet and Statement of Accounts shall, at least fourteen days previous to the general meeting, be delivered or sent by post to the registered address of every shareholder.

(d) The Bank shall also, within two months from the date on which the annual accounts of the Bank are closed, transmit to the Governor General in Council a duly certified and audited copy of the Statement of Income and Expenditure and Balance Sheet together with the copy of the Report referred to in sub-clauses above and the Governor General in Council shall cause such Statement of Income and Expenditure and Balance Sheet and the Report to be published in the Gazette of India and copy of these documents shall be laid before the Central Legislature for discussion on a day to be specially reserved for this purpose by the Governor General in Council."

Sir, in moving this amendment, I have got several objects in view. In the first place, there is no provision in this Bill that a copy of the balance sheet will be sent to the shareholders. In every bank, including the Imperial Bank, there is a provision that a copy of the balance sheet should be sent to the shareholders. Here, in the case of the Reserve Bank, the shareholders will be left to read the Government publications and purchase the Gazette. It is not fair. I submit that the shareholders should receive a copy of the balance sheet direct. My second point is that all these provisions are taken from the South African Act. It is on page 14, section 95.

So this is not a new thing. Such provisions exist elsewhere. In the United States Act, there is a similar provision on page 132 of the book that my friend, Mr. Mudaliar, has got. The constitution of Australia also makes a similar provision. This is not introducing political influence of the kind which the Finance Member wishes to avoid. It already exists in every constitution. The balance sheet is laid before the Legislature and the Legislature is given an opportunity to discuss this particular question. These are the two objects I have in view in making this motion.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That for sub-clause (2) of clause 53 of the Bill, the following be substituted:

'(2) (a) At each General Meeting the Central Board shall lay before the meeting a Statement of the Income and Expenditure and a Balance-sheet, containing the particulars of the assets and liabilities of the Bank, made up to a date not more than two months before the meeting.

(b) Every such statement and balance-sheet shall be accompanied by a Report of the Central Board on the working of the Bank throughout the year and as to the state and condition of the Bank, and as to the amount (if any) which has been paid or which will be paid out of the profits by way of dividend to the shareholders, and the amounts (if any) which under the Act go to credit of the fund for strengthening the gold reserves of the Bank and to the Reserve Funds, according to the provision in that behalf contained in the Act; and the Statement, Report and Balance-sheet shall be signed by the Governor, Deputy Governors, three Directors and countersigned by the Chief Accountant of the Bank.

(c) A printed copy of the Report, accompanied by the audited Balance-sheet and Statement of Accounts shall, at least fourteen days previous to the general meeting, be delivered or sent by post to the registered address of every shareholder.

(d) The Bank shall also, within two months from the date on which the annual accounts of the Bank are closed, transmit to the Governor General in Council a duly certified and audited copy of the Statement of Income and Expenditure and Balance Sheet together with the copy of the Report referred to in sub-clauses above and the Governor General in Council shall cause such Statement of Income and Expenditure and Balance Sheet and the Report to be published in the Gazette of India, and copy of these documents shall be laid before the Central Legislature for discussion on a day to be specially reserved for this purpose by the Governor General in Council."

The Honourable Sir George Schuster: Sir, I am grateful to my Honourable friend for the story which he has told us just now, because it gives me an opportunity of illustrating the position. I think this is one of the cases where we propose to catch the fox by the simple method of catching hold of its tail, and my Honourable friend proposes the rather more elaborate method of pouring wax on his head, so that he cannot see where he is going and then catching him. (Laughter.) I think it is quite unnecessary to put in a very verbose provision of this kind. The points referred to will naturally be in the reports. We have already provided by an amendment to clause 14 that the shareholders shall be entitled to discuss at the annual meetings the report of the Central Board on the working of the Bank throughout the year and the Auditor's report on the annual balance sheet and accounts. All these matters must be put before them if they are to be discussed. Then, as regards what is said at the end of this amendment, it seems to us unnecessary to make any provision of this kind. If the Legislature wishes to discuss any report of the Bank, they surely will not be denied the opportunity. They will have ample opportunity. I think the proposal is unnecessarily elaborate. All the matters are covered, and I must oppose it.

Dr. Ziauddin Ahmad: Will the Honourable Member accept the other alternative provided in amendment No. 333? If he does, then I will withdraw this.

The Honourable Sir George Schuster: I must oppose 333 also. I think it is unnecessary for us to provide now that a special day shall be reserved for a discussion of these matters. If the Legislature wants an opportunity for discussion, that opportunity will not be denied to them.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That for sub-clause (2) of clause 53 of the Bill, the following be substituted:

"(2) (a) At each General Meeting the Central Board shall lay before the meeting a Statement of the Income and Expenditure and a Balance-sheet, containing the particulars of the assets and liabilities of the Bank, made up to a date not more than two months before the meeting.

(b) Every such statement and balance-sheet shall be accompanied by a Report of the Central Board on the working of the Bank throughout the year and as to the state and condition of the Bank, and as to the amount (if any) which has been paid or which will be paid out of the profits by way of dividend to the shareholders, and the amounts (if any) which under the Act go to credit of the fund for strengthening the gold reserves of the Bank and to the Reserve Funds, according to the provision in that behalf contained in the Act; and the Statement, Report and Balance-sheet shall be signed by the Governor, Deputy Governors, three Directors and countersigned by the Chief Accountant of the Bank.

(c) A printed copy of the Report, accompanied by the audited Balance-sheet and Statement of Accounts shall, at least fourteen days previous to the general meeting, be delivered or sent by post to the registered address of every shareholder.

(d) The Bank shall also, within two months from the date on which the annual accounts of the Bank are closed, transmit to the Governor General in Council a duly certified and audited copy of the Statement of Income and Expenditure and Balance Sheet together with the copy of the Report referred to in sub-clauses above and the Governor General in Council shall cause such Statement of Income and Expenditure and Balance Sheet and the Report to be published in the Gazette of India and copy of these documents shall be laid before the Central Legislature for discussion on a day to be specially reserved for this purpose by the Governor General in Council."

The motion was negatived.

Dr. Ziauddin Ahmad: Sir, I move:

"That after sub-clause (3) of clause 53 of the Bill, the following new sub-clauses be inserted:

"(4) The Bank shall also prepare every year a report on the operations of the Note Issue Department on the lines of the report heretofore issued by the Controller of Currency and publish the same for general information.

(5) The Governor General in Council shall be entitled to require of the Bank any information touching the affairs of the Bank and the production of any books, accounts, returns and documents of the Bank."

There are two objects I have in mind. The Controller of Currency publishes every year a very useful report and, I am afraid, that as soon as the Reserve Bank is established, the publication of this useful book may be stopped, and my intention is that the publication of this report, which contains lot of useful information, ought to continue and, in the absence of even this book, the public will have no alternative but to fall back upon the goods exported from a wholesale firm in Calcutta. My second point is this and it is a rather important point. The Finance Member may just consider this question. The Governor General in Council shall be entitled to require of the Bank any information touching the affairs of the Bank.

In the absence of a provision of this kind, the Reserve Bank may refuse to show any books to any auditor whom the Government of India may appoint. In case the affairs of the Bank are not going straight, a provision of this kind will be very useful. The Bank cannot say it is confidential, and so on. I hope that the Finance Member will consider this point.

Mr. President (The Honourable Sir Shannmukham Chetty): Amendment moved:

"That after sub-clause (3) of clause 53 of the Bill, the following new sub-clauses be inserted:

'(4) The Bank shall also prepare every year a report on the operations of the Note Issue Department on the lines of the report heretofore issued by the Controller of Currency and publish the same for general information.

(5) The Governor General in Council shall be entitled to require of the Bank any information touching the affairs of the Bank and the production of any books, accounts, returns and documents of the Bank'."

The Honourable Sir George Schuster: This is probably the most harmless of my Honourable friend's long list of amendments. But, on the whole I think it is unnecessary and in any case I do not think it is quite suitable as it stands. As regards sub-clause (4) which he proposes, it would not be reasonable to expect the Bank to prepare a report exactly on the lines of the present report issued by the Controller of the Currency. Much of the matter in the currency report dealing with Government finance will have to be dealt with in a Government report and not in that of the Board of the Bank. I have little doubt that when the Bank is set up, it will publish information at least as full as that which is now available and I trust a good deal fuller. I should hope that the Bank would issue a sort of monthly bulletin on the lines issued by the Federal Reserve Bank of New York or possibly on the lines of the bulletin issued by the Bank of England. It will certainly be our intention to provide that statistical information shall, in the future, be made available to the public in a much fuller form than it is available at present and we have a good many proposals under consideration for that purpose. It does not seem to be necessary to provide in the Statute for such a statement. In any case, the form suggested by my Honourable friend, I think is unsuitable! As regards the proposed sub-clause (5), we consider that to be unnecessary, because the Governor General will have a representative on the Board, and, through the medium of that officer, he will be able to get all the information which he requires. This is one of the purposes of having a Government representative on the Board. Therefore, although this amendment is comparatively innocuous, I think it is unnecessary, and I am afraid I must oppose it.

Dr. Ziauddin Ahmad: May I ask one question? Is any person appointed by the Governor General entitled to examine all the papers and all the books?

The Honourable Sir George Schuster: Yes, Sir. Any member of the Board is surely entitled to examine everything. Nothing can be kept from an actual member of the Board and the Government officer on the Board will have all those powers.

Dr. Ziauddin Ahmad: And if the Governor General wishes to appoint any other person besides that officer, then he will not be able to examine things in that way?

The Honourable Sir George Schuster: This is the provision by which we seek to create a liaison between the Government and the Bank. I cannot understand why we should now contemplate the possibility of that officer being incompetent and having to be supplemented by the appointment of another officer.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That after sub-clause (3) of clause 53 of the Bill, the following new sub-clauses be inserted:

'(4) The Bank shall also prepare every year a report on the operations of the Note Issue Department on the lines of the report heretofore issued by the Controller of Currency and publish the same for general information.

(5) The Governor General in Council shall be entitled to require of the Bank any information touching the affairs of the Bank and the production of any books, accounts returns and documents of the Bank'."

The motion was negatived.

Clause 53 was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair proposes to hold in abeyance clause 54 until after disposing of the amendments of Mr. Sitaramaraju relating to rural credit.

The question is:

"That Clause 55 stand part of the Bill."

Dr. Ziauddin Ahmad.

Dr. Ziauddin Ahmad: Sir I rise to move:

"That in sub-clause (3) of clause 55 of the Bill, after the words 'under section 9 or section 14' the words 'or be entitled to payment of any dividend' be inserted."

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (3) of clause 55 of the Bill, after the words 'under section 9 or section 14' the words 'or be entitled to payment of any dividend' be inserted."

Mr. Bhuput Sing: Sir, I have to ask one question with regard to sub-clause (4). Supposing a person who is a member of a Hindu joint family, holds some shares, but he is not legally the sole owner of those shares, will he be liable to prosecution if he makes a declaration to the effect "I am the owner"? I just want an explanation from the Honourable the Finance Member.

The Honourable Sir George Schuster: Sir, we are jumping rather rapidly through this Bill and it is sometimes difficult to keep pace with all the

amendments. The amendment which I have to deal with now is amendment No. 344. My Honourable friend, Dr. Ziauddin Ahmad, gave no explanation of it. Well, Sir, we consider this to be an entirely unsuitable proposal; it goes beyond the scope of the clause which deals with voting rights. It is quite unreasonable to suggest that any man should be deprived of his dividend merely because he fails to answer a letter. On these grounds, I must oppose my Honourable friend's amendment. As to the question asked by my Honourable friend, Mr. Bhuput Singh, I am afraid I did not catch it exactly. Will the Honourable Member kindly repeat it?

Mr. Bhuput Singh: Sir, in sub-clause (4), there is a provision that "whoever makes a false statement in any declaration furnished by him under sub-section (1) shall be deemed to have committed the offence of giving false evidence." Now, a member of a Hindu joint family may hold some shares without being the sole proprietor of those shares. All other members of the family have got a lien on those shares jointly. So I want to know whether that person who makes that declaration that "I am the holder" will be liable to prosecution or not.

The Honourable Sir Brojendra Mitter (Law Member): Sir, I do not think he will be liable to prosecution, if one member of a joint Hindu family declares that he is the owner of the shares as *karta* or as a member of the joint Hindu family. It would be a perfectly valid declaration.

An Honourable Member: But if he fails to say in what capacity he is holding it?

The Honourable Sir Brojendra Mitter: Nevertheless he is a holder who has got an interest in the shares and he will not be liable to prosecution.

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): I have to ask one question, Sir, Clause 55 (4) was inserted with the object of preventing shareholders from transferring their shares to somebody else in order to get an extra vote and of preventing a *benami* transaction. That was the object. Now, if a manager of a joint Hindu family holds shares *bonâ fide*, it does not matter whether he has got others who are also interested in those shares. If he transfers part of the shareholding to some other member of the joint family in order to give that other member of the joint family a vote, then I do not think he could come within the scope of section 55 (4); but if he alone legally can hold shares in joint family, and if he then transfers some shares simply for the purpose of voting or just before the annual general meeting, then the question would become a little bit doubtful.

Diwan Bahadur A. Ramaswami Mudaliar: My Honourable friend wants to know what would happen if the manager of a joint Hindu family, who holds, say, twenty shares, transfers those shares to three members of the joint family each of whom has a right unitedly to all the twenty shares. In that case will those three members be liable to this penalty?

The Honourable Sir Brojendra Mitter: I do not think so. A member of a Hindu joint family can hold separate property. It is not that every bit of property is joint. Supposing in the case of the three shares which

[Sir Brojendra Mitter.]

are transferred by the manager of the joint Hindu family to some other members of the family, then the other members of the family will have a separate interest in those shares. No question of prosecution arises.

Mr. Bhuput Sing: But the question asked by Mr. Mudaliar deals with the point very clearly: will those three persons be entitled to vote?

The Honourable Sir Brojendra Mitter: Yes, if they have the requisite number of shares to be able to vote, but they will vote in their own right and not *qua* members of a joint family.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (3) of clause 55 of the Bill, after the words 'under section 9 or section 14' the words 'or be entitled to payment of any dividend' be inserted."

The motion was negatived.

Mr. V. K. Aravamudha Ayangar (Government of India: Nominated Official): Sir, I rise to move.

"That after sub-clause (4) of clause 55 of the Bill, the following sub-clause be inserted:

'(4A) Nothing contained in any declaration furnished under sub-section (1) shall operate to affect the Bank with notice of any trust, and no notice of any trust expressed implied or constructive shall be entered on the register or be receivable by the Bank'."

Sir, a similar provision exists in the Indian Companies Act, but, under clause 56 of this Bill, nothing in the Indian Companies Act shall apply to this Bank. It is necessary to prevent the Bank being saddled with notices of trust. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That after sub-clause (4) of clause 55 of the Bill, the following sub-clause be inserted:

'(4A) Nothing contained in any declaration furnished under sub-section (1) shall operate to affect the Bank with notice of any trust, and no notice of any trust expressed implied or constructive shall be entered on the register or be receivable by the Bank'."

Dr. Ziauddin Ahmad: Sir, I rise to support this motion. I did not exactly follow the speech of my Honourable friend. He delivered it in a manner as if it was written by somebody else, but from his ability I have no reason to suppose so. But, in spite of that fact, I did follow his arguments, and on the merit of the case, I support the motion.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That after sub-clause (4) of clause 55 of the Bill, the following sub-clause be inserted:

'(4A) Nothing contained in any declaration furnished under sub-section (1) shall operate to affect the Bank with notice of any trust, and no notice of any trust expressed implied or constructive shall be entered on the register or be receivable by the Bank'."

The motion was adopted.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 55, as amended, stand part of the Bill."

The motion was adopted.

Clause 55, as amended, was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 56 stand part of the Bill."

Dr. Ziauddin Ahmad: Sir, I beg to move:

"That in sub-clause (1) of clause 56 of the Bill, for the words 'save by order of the Governor General in Council and in such manner as he may direct' the words 'except on the authority of an Act of the Indian Legislature and in such manner as the Legislature may direct' be substituted."

The object of this amendment is that it is this Legislature which is creating the Reserve Bank and, in case the Bank goes into liquidation, the Central Legislature ought to know how matters stand. Here we find that in case of liquidation the whole thing is left to the Governor General in Council. I want that in this case at least the Central Legislature should not be overlooked. After all, the Reserve Bank is the creation of the Central Legislature and, if it goes out of existence, then we ought to know how the thing stands. Therefore, in this particular case, instead of the Governor General in Council, we should add the Central Legislature as well.

Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (1) of clause 56 of the Bill, for the words 'save by order of the Governor General in Council and in such manner as he may direct' the words 'except on the authority of an Act of the Indian Legislature and in such manner as the Legislature may direct' be substituted."

Mr. K. C. Neogy: Sir, I want to say just a few words on this particular clause. As worded, this clause leaves the entire discretion with regard to sending the Bank into liquidation to the Governor General in Council. We have no indication as to the circumstances in which the Governor General may decide to take this extreme action. Honourable Members are aware of the provisions in the Indian Companies Act for winding up a company, but I do realise that here we are not dealing with an ordinary limited liability company. Still I should like to know from the Honourable the Finance Member as to what circumstances, in his opinion would justify a bank to be sent into liquidation. That is one point. The next point that I seek to place before the House is that this clause seems to assume that, when such liquidation takes place, the liabilities of the Bank will never exceed the assets. That, I take it, is the underlying assumption at least of sub-clause (2). I quite realise that if the Governor General in Council is going to be vested with the discretion of sending the Bank into liquidation, he will certainly take that action before

[Mr. K. C. Neogy.]

things go very wrong with the Bank. But this leads me to another point. As far as I have been able to see, there is no provision in this Bill which limits the liability of the shareholders to the amount of their respective shares. Now, Sir, the distinction between limited and unlimited liability with regard to companies is very well known and the Honourable the Finance Member will remember that, in sub-section (4) of section 3 of the Imperial Bank of India Act, the liability of the shareholders of the Bank is definitely limited to the amount not fully paid up as shares. In the absence of any such specific provision, I should like to know whether the liability of the shareholders cannot be said to be absolutely unlimited. That is to say, for any debt or any transaction of this Bank the shareholders may individually be responsible even beyond the extent of the amount of their respective shares. Sir, it may be said that such a contingency is very remote and, therefore, we can dismiss it from our consideration, but we are legislating in regard to a very important institution and nothing should be left to chance or undefined. I should very much like to have the assistance of the Honourable the Finance Member as also the Law Member in understanding this particular position.

Sir Cowasji Jehangir: Is it your point that it is not a limited company?

Mr. K. C. Neogy: That is one of the points.

The Honourable Sir Brojendra Mitter: Sir, I could not follow the question which my Honourable friend, Mr. Neogy, put. Does he mean liability to outsiders?

Mr. K. C. Neogy: Yes, in the first instance.

The Honourable Sir Brojendra Mitter: If that be so, there is no difficulty. By this measure you are incorporating the Bank; the Bank becomes a legal person. So far as the outside world is concerned, the legal person alone is liable to it and the shareholders do not come in the picture at all. The rights and liabilities of the shareholders are with reference to the Bank itself; with regard to the outside world, the shareholders do not exist. They cannot be liable for any transaction of the Bank with outsiders.

Mr. K. C. Neogy: May I just interrupt my Honourable friend? That was exactly the position of the Imperial Bank, because the Imperial Bank was incorporated under an Act of the Legislature and yet it was found necessary to have a specific provision to the effect that the liability of the shareholders shall be limited to the amount of the unpaid capital.

The Honourable Sir Brojendra Mitter: That is a liability to the Imperial Bank itself, but in so far as the outside world is concerned, a transaction of the Bank is not a transaction of any shareholder. There cannot be any question of liability between the outside world and a shareholder. The shareholder does not exist. He exists only in relation to the Bank itself; and, in the case of fully paid up shares, the question does not arise. What my Honourable friend quoted from the Imperial Bank of India Act with regard to the liability that is limited extends to the unpaid amount, which is a liability to the Bank itself.

The Honourable Sir George Schuster: Just amplifying what has been said by my Honourable friend, the Law Member, in answer to Mr. Neogy, a provision of that kind was necessary in the case of the Imperial Bank, because the shares were being issued not fully paid. In the present Bill, if my Honourable friend will look at clause 4, it is laid down that the shares shall be fully paid from the beginning. We do not contemplate that any shares that are not fully paid should be in existence. Therefore, as my Honourable friend, the Law Member, has pointed out, there can be no liability on the shareholders as such. They have a completely separate existence to the Bank. That, Sir, I think, disposes of that point.

As regards the actual amendment, it is a very important provision and it would certainly upset the scheme entirely if my Honourable friend's amendment were accepted. In any case, I submit that, in its present form, the amendment is hardly correct, because if the Legislature had to come in at all, then obviously the Legislature can pass an amending Act without any provision of this kind. My Honourable friend, Mr. Neogy, asked what circumstances were contemplated for the extreme course of putting the Bank into liquidation. What we have chiefly in mind are the circumstances contemplated under clause 30 which has already been passed by the Assembly. I do not think I can answer my Honourable friend beyond that, but on general grounds I must oppose the amendment.

Mr. Bhuput Singh: So far as the liabilities of the shareholders to outsiders are concerned, I am satisfied; but I want to know whether the liabilities of the shareholders are limited as regards the liability of the Issue Department of the Bank and whether they are liable to pay more than the value of the paid-up shares.

The Honourable Sir George Schuster: No, Sir. They cannot be liable having taken up their shares and having performed the only function which they have to perform. They hold shares and the Bank is a separate entity from the shareholders and the shareholders cannot be brought in in any way.

Sardar Sant Singh (West Punjab: Sikh): In view of the provisions in sub-clause (2) "in such event the Reserve Fund and surplus assets, if any, of the Bank. . .", what will happen if the Reserve Bank has exceeded assets and the Bank's liability exceed the Reserve Fund as well as the surplus assets? Will the creditor have some remedy? Will the Government come to the help of the Bank and pay that portion of the liability that exceeds the assets from the taxpayer's money or the shareholders will be brought in to contribute their quota towards those excess liabilities?

The Honourable Sir Brojendra Mitter: The shareholders' liability is limited to the value of the shares, and since these shares are to be fully paid up, there is no question of the shareholders incurring any liability under the scheme.

Sardar Sant Singh: My question is, supposing the liabilities of the Bank at the time of liquidation, exceed the total amount of reserve as well as the assets available, the creditor will have to realise the debts, may I know from what sources they will be paid?

The Honourable Sir Brojendra Mitter: If the liabilities are more than the assets, then the creditors will be paid *pro rata*. Sub-clause (1) provides that that liquidation may be made by order of the Governor General in Council and in such manner as he may direct. Whether Government will pay the amount of deficiency or not, that is not provided here; but so far as the shareholders are concerned, there is no question of any liability.

Sardar Sant Singh: I will try to explain it in more detail. The position is this. The position of the Government is that the shareholders are only liable to the extent of the share that they are holding in the Bank and they do not come in at the time of the liquidation. That is accepted. The other position is, supposing the liabilities of the Bank exceed the total amount of the reserve fund as well as the assets available at the time of liquidation, then, if the liabilities exceed, there are bound to be certain creditors and those creditors must be paid, but the Bank is unable to meet those debts from the reserve fund as well as the assets, because they are less than the total number of liabilities. What I want to know is the position of the creditors, wherefrom will the creditors receive their amount outstanding against the Bank?

Mr. President (The Honourable Sir Shanmukham Chetty): The Bank will stand to the creditor in the same position as an insolvent debtor stands to his creditors and the creditors will get *pro rata* whatever assets are available.

The Honourable Sir George Schuster: May I also add a practical point to that. The contingency which my Honourable friend has contemplated is one which I should like to impress upon the House we really ought not to contemplate. I should be very sorry if these questions and answers were reported in the press and any impression was created in the public mind that we have seriously to contemplate the contingency of the Central Bank of the country going into liquidation and being unable to meet its liabilities. It will be so closely connected with the Government, it will be so essentially a public institution that in any crisis of that kind we must assume that the Government of the future will step in in some way or other and deal with the position. I think it is undesirable that the contingency which my Honourable friend has in mind should be regarded as a likely contingency.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (1) of clause 56 of the Bill, for the words 'save by order of the Governor General in Council and in such manner as he may direct' the words 'except on the authority of an Act of the Indian Legislature and in such manner as the Legislature may direct' be substituted."

The motion was negatived.

Dr. Ziauddin Ahmad: Sir, I beg to move:

"That for sub-clause (2) of clause 56 of the Bill, the following be substituted:

"(2) In such event the Reserve Fund and surplus assets, if any, of the Bank shall be divided between the Governor General in Council and the shareholders in such proportion as the Governor General in Council and Indian Legislature may determine to be fair and equitable."

According to the existing provision, the shareholders will be entitled to get 25 per cent. of the reserve deposits that we are presenting to them in the shape of five crores of rupees. The original provision is that they would be entitled to 25 per cent. My amendment is that this money really belongs to the taxpayers. It is not the shareholders' money. We have really to keep them in order to stabilise the Bank and they are not entitled to it, because we have helped them out of the taxpayers' money to stabilise them. I say that the proportion ought to be decided by the Legislature and should not be left by law at one-fourth.

Mr. Bhuput Singh: The proviso makes it clear that:

"Provided that the total amount payable to any shareholder under this section shall not exceed the paid-up value of the share held by him by more than one per cent for each year after the commencement of this Act subject to a maximum of twenty-five per cent."

Dr. Ziauddin Ahmad: After 25 years it will be 25 per cent which I do not think necessary.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That for sub-clause (2) of clause 56 of the Bill, the following be substituted:

"(2) In such event the Reserve Fund and surplus assets, if any, of the Bank shall be divided between the Governor General in Council and the shareholders in such proportion as the Governor General in Council and Indian Legislature may determine to be fair and equitable'."

The Honourable Sir George Schuster: I quite agree with my Honourable friend who has moved the amendment that the Legislature should have some say in deciding what is fair and equitable, and that is exactly the question which we are putting to the Legislature under this proposal. We are asking the Legislature to decide that these proposals are fair and equitable. My Honourable friend seems to have so little confidence in the Legislature, of which he himself is a Member, that he wishes to leave the question for the Federal Legislature of the future. I submit we are entitled to take upon ourselves the responsibility of deciding what is fair and equitable here and now and that this proposal is fair and equitable. On these grounds, I oppose the amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That for sub-clause (2) of clause 56 of the Bill, the following be substituted:

"(2) In such event the Reserve Fund and surplus assets, if any, of the Bank shall be divided between the Governor General in Council and the shareholders in such proportion as the Governor General in Council and Indian Legislature may determine to be fair and equitable'."

The motion was negatived.

Clause 56 was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 57 stand part of the Bill."

Dr. Ziauddin Ahmad: Sir, I move:

"That for sub-clauses (1) and (2) of clause 57 of the Bill, the following be substituted :

'Governor General in Council may, from time to time, make regulations not inconsistent with this Act, to provide for matters for which provision is necessary or convenient for the purpose of giving effect to the provisions of this Act. Any regulations made thereunder shall be laid before both the Central Legislatures and shall be published in the Government of India Gazette and no such regulations shall be altered except with three months' previous notice given and published in the Government of India Gazette and the approval of the Central Legislature.

Provided, however, the Central Board, with the previous sanction of the Governor General in Council, may make rules not inconsistent with this Act or the Regulations made thereunder for any of the following purposes :

- (a) the good government and conduct of the business of the Bank;
- (b) the appointment, pay, pension and conditions of service of officers and employees; and
- (c) any other matter necessary or convenient to be provided for carrying on its business'."

The intention of my motion is this. In clauses 56 and 57, we give a series of subjects on which regulations will be framed. These subjects are of two classes, one which deals with every-day administration of the Bank and the others are on the question of principle. Therefore, I should like that the regulation making power should not be left to the Central Legislature and the Governor General in Council in case where principles are involved. But it should be left to the Central Board in case of those regulations where the day-to-day administration is concerned. For example, looking into sub-clause (2), you find that (a) to (d) and (m) to (q) deal with the principle, and I only wish that the regulation making power should be vested in ordinary affairs to the Central Board subject to the approval of the Governor General in Council; but, in case of principles, the Legislature should not be entirely overlooked, because, after all, we are really the guardians of the policy of the Bank. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That for sub-clauses (1) and (2) of clause 57 of the Bill, the following be substituted :

'Governor General in Council may, from time to time, make regulations not inconsistent with this Act, to provide for matters for which provision is necessary or convenient for the purpose of giving effect to the provisions of this Act. Any regulations made thereunder shall be laid before both the Central Legislatures and shall be published in the Government of India Gazette and no such regulations shall be altered except with three months' previous notice given and published in the Government of India Gazette and the approval of the Central Legislature.

Provided however the Central Board, with the previous sanction of the Governor General in Council, may make rules not inconsistent with this Act or the Regulations made thereunder for any of the following purposes :

- (a) the good government and conduct of the business of the Bank;
- (b) the appointment, pay, pension and conditions of service of officers and employees; and
- (c) any other matter necessary or convenient to be provided for carrying on its business'."

The Honourable Sir George Schuster: Sir, I must oppose my Honourable friend's amendment. I might support that part of it which proposes

to substitute the words "not inconsistent with" for "consistent with" as they stand in the Bill, but otherwise I think my Honourable friend's amendment is unnecessary and wrongly conceived. We do not think that it is necessary or at all desirable that all these regulations should be approved by the Central Legislature. We have provided for publication. If they are published, they will be open to discussion in the Legislature and that seems to us to be sufficient. They are matters which should be left to the Central Board to regulate, and the Legislature is not really a suitable body for dealing with matters of this kind. On these grounds, I oppose the amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That for sub-clauses (1) and (2) of clause 57 of the Bill, the following be substituted:

'Governor General in Council may, from time to time, make regulations not inconsistent with this Act, to provide for matters for which provision is necessary or convenient for the purpose of giving effect to the provisions of this Act. Any regulations made thereunder shall be laid before both the Central Legislatures and shall be published in the Government of India Gazette and no such regulations shall be altered except with three months' previous notice given and published in the Government of India Gazette and the approval of the Central Legislature.

Provided, however, the Central Board, with the previous sanction of the Governor General in Council, may make rules not inconsistent with this Act or the Regulations made thereunder for any of the following purposes:

- (a) the good government and conduct of the business of the Bank;
- (b) the appointment, pay, pension and conditions of service of officers and employees; and
- (c) any other matter necessary or convenient to be provided for carrying on its business'."

The motion was negatived.

Raja Bahadur G. Krishnamachariar (Tanjore *cum* Trichinopoly: Non-Muhammadian Rural): Sir, I beg to move:

"That to sub-clause (1) of clause 57 of the Bill, the following proviso be added:

'Provided that such regulations do not come into force unless they have been laid on the table of both Legislatures for two months and no motion made for their amendment. If any such amendment is made and carried, the regulations shall be amended accordingly and such amended regulations shall come into force'."

I have taken this amendment not word for word, but adapted it from certain Statutes that have recently been passed in Parliament, and for this reason. There is a book to which I had referred sometime ago, called "The New Despotism" by the Lord Chief Justice of England. Parliament in England not having the time to look into all these legislative enactments is supposed to enact the principle and leave the framing of the rules to the administrative departments. The result is that, when the rules are framed, they generally go against the principles laid down, and once they are allowed to come into force without being revised by the authority which laid down the principles, the result is that there is no way of getting over it except by going to the Courts and fighting the matter out; and very probably the Courts in certain cases will have no jurisdiction to go into it. The result is that whereas this Legislature lays down certain principles, the Central Board or whoever it may be, which has the rule making authority, go and frame rules. They do it honestly I admit, but, in view of their own interests, they frame rules which, as a

[Raja Bahadur G. Krishnamachariar.]

matter of fact, militate against the principle laid down by the Legislature. And once they do it and if it comes into force without reference to the authority that lays down the principle, it is not quite fair to the original authority to do so; and the Lord Chief Justice of England has written a whole book protesting against it. We are supposed to be under a rule of law, but, as a matter of fact, the rule of law only extends to laying down principles and leaving the rest to the administrative departments; and administrative departments throughout the world consider their own convenience irrespective of the rules that they make being consistent or inconsistent. The most flagrant instance was this; there was a set of rules made by an administrative department and the Legal Department objected to the rules as being inconsistent with the principles laid down by the Legislature. The reply was that if the rules were inconsistent with the principles, they should go and alter the principles; but the rules will remain in force. That, Sir, is the position taken up and that is what the Lord Chief Justice pointed out. And it is dangerous, it is inadvisable, it is undesirable to vest the administrative departments with the power of making rules; and this provision has been taken from an Act of Parliament, and I submit there ought to be no objection,—I hope there will not be,—to accept this amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That to sub-clause (f) of clause 57 of the Bill, the following proviso be added:

'Provided that such regulations do not come into force unless they have been laid on the table of both Legislatures for two months and no motion made for their amendment. If any such amendment is made and carried, the regulations shall be amended accordingly and such amended regulations shall come into force.'

The Honourable Sir George Schuster: Sir, there may be very good grounds for my Honourable friend's proposal, but I submit that it would lead to great practical inconvenience. It might be necessary to make regulations at any time, designed to come into immediate effect. If the Legislature were not sitting, it would be necessary to delay until it sat and then to delay another two months. I would suggest to my Honourable friend that strongly as he feels his grounds, this way of meeting his point is likely, as I said, to lead to very practical inconvenience. I am afraid I must adhere to the attitude I have taken up with reference to the last amendment, namely, that we consider that the publication of these regulations and the opening of the door to subsequent criticism is really all that is required.

Raja Bahadur G. Krishnamachariar: If I criticise and nothing comes out of it, what is the result?

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That to sub-clause (f) of clause 57 of the Bill, the following proviso be added:

'Provided that such regulations do not come into force unless they have been laid on the table of both Legislatures for two months and no motion made for their amendment. If any such amendment is made and carried, the regulations shall be amended accordingly and such amended regulations shall come into force.'

The motion was negative.

Mr. Muhammad Anwar-ul-Azim (Chittagong Division: Muhammadan Rural): Sir, I beg to move:

"That in sub-clause (2) (c) of clause 57 of the Bill, the words 'if the Central Board thinks fit' be omitted."

Personally I think it will not be right on our part to leave any discretion in these matters to any subordinate agencies which are created by the Statute of this House. You will remember, Sir, that the other day in this very connection I had to bring in a motion for adjournment, because an Act was passed by this Legislature where it was particularly mentioned that the election with regard to a particular committee at a particular place will take place according to the method of the single transferable vote, but that Statutory obligation was not observed by a certain body in this country. So my apprehensions are that, unless and until these methods of election are made obligatory on these subordinate bodies, the real result will not be achieved.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in sub-clause (2) (c) of clause 57 of the Bill, the words 'if the Central Board thinks fit' be omitted."

Dr. Ziauddin Ahmad: Sir, on a previous amendment, I pointed out that sub-clauses in this clause were of two kinds—principles and administrative details—I said that we wanted different agencies for framing the regulations under these two heads, and I quoted, though I did not read out, certain books that this important question of election could not be left to the Central Board. It is quite possible that they may make regulations in a manner which would be exceedingly useful to the sitting Directors and may be prejudicial to a person who may be a candidate afterwards. I suggest that the proper agency for framing these rules is the Governor General in Council with the approval of the Central Legislature. For instance, in the election of the Legislature, if you leave the power of framing rules to the Legislature, if you give the power to the elected Members to frame rules for their own election, it is likely that we will frame rules to suit the convenience of ourselves who are sitting Members. I never heard that the rules of election for a particular body are made by that body itself. It ought to be made by some higher authority if that higher authority is available: and, in this case, the Central Legislature is the highest authority and is the only proper authority with whose consent the Governor General in Council ought to frame rules regulating the election of Directors to the Central Board. With these words, I support the motion.

Mr. Bhuput Sing: Sir, I oppose the motion. Why should we have so much suspicion of the Central Board? Of course, at first it will be nominated, but, after a period, it will be elected; I do not think we should have any suspicion from the very beginning that the Central Board will not look to the interests of all the communities concerned. It is only proper that we should have some faith and confidence in the Central Board, and, further, over the Central Board there is the power of the Governor General in Council on all matters including this thing on which

[Mr. Bhuput Sing.]

they would have the same power over the making of rules, etc. So I oppose the motion.

The Honourable Sir George Schuster: Sir, as far as we are concerned, we are quite prepared to accept my Honourable friend's amendment. His object, as I understand it, is to make it clear that the principle of proportional representation by means of the single transferable vote shall in fact always be followed. That, as a matter of fact, has always been our intention, and I myself in the course of the discussion on an earlier clause in the Bill referred to this clause as evidence of our intention. I must confess that it is one of the details that I had not got in mind at the time, but actually this is only discretionary in this clause, and we certainly contemplated that the principle of proportional representation should always be followed. Therefore, we on the Government side are prepared to accept this amendment. I think that is all that I need say.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in sub-clause (2) (a) of clause 57 of the Bill, the words 'if the Central Board thinks fit' be omitted."

The motion was adopted.

Mr. Muhammad Anwar-ul-Azim: Mr. President, I move:

"That to part (j) of sub-clause (2) of clause 57 of the Bill, the following proviso be added:

"That the officers and staff of the Bank should be taken from all classes of people according to the rules framed by the Government of India in this behalf."

I can assure you, Sir, that it is farthest from my thoughts to bring in any contentious matter. But it seems, Mr. President, that there are lurking suspicions as a result of past experience in the many parts of the House, whether the Bank will deal squarely with all, for after the first term of four or five years, when there is full-fledged Swaraj in the Bank, these lurking suspicions must be dispelled as a result of just action. It is not for the purpose of carrying this amendment, but only for bringing to the notice of the Government of India that this suspicion does exist and, for want of finding a more vocal exponent, that it has fallen to my lot to move it here. If it was my contention that I wanted a particular slice ear-marked for my people, of course that would have come with proper wordings; but, sitting on this side of the House, we who have all very liberal ideas about these things—I am certain, the House will not mistake me or think that I am camouflaging the real issue. If the Government are really serious in regard to giving this Reserve Bank a chance, I think the administration of the Bank should be above suspicion, and, with that object in view, even if the Government of India by executive orders give some sort of indication to the controllers of this Bank, my purpose will be served and that is that all classes of people should come in right proportion.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That to part (j) of sub-clause (2) of clause 57 of the Bill, the following proviso be added:

"That the officers and staff of the Bank should be taken from all classes of people according to the rules framed by the Government of India in this behalf."

Maulvi Muhammad Shafee Daoodi (Tirhut Division: Muhammadan) Sir, this is a matter which, I think, does not require any discussion. Every one will agree that when a new venture is started, it must guide itself by past experience. We have seen the preponderance of one community over the other working havoc in some departments. The amendment proposes that the officers and staff of the Bank should be taken from all classes of the people according to rules framed by the Government in this behalf. It seems to be quite an inoffensive amendment and it appears to me that it should not evoke any objection from any part of the House. It interests all and all should accept it.

Mr. N. M. Joshi (Nominated Non-Official): Mr. President, it is true that the staff of this Bank should be drawn from all classes of people in the country; but, at the same time, I wish to draw the attention of Government to the fact that at present the Currency Offices at various places have got a large staff and it is essential that this staff should be provided for in the Reserve Bank, and I would like the Honourable the Finance Member to state very clearly whether he is going to provide for this staff now in the various Currency Offices

The Honourable Sir George Schuster: I have already made a statement to that effect in the course of an earlier discussion.

Mr. N. M. Joshi: I am very grateful to the Honourable the Finance Member for his statement and I shall say no more except that I am very sorry I was not here when that statement was made.

The Honourable Sir George Schuster: Sir, we have, throughout the discussions on this measure, and also in framing it, deliberately kept any sort of communal consideration outside, and we do feel that it is undesirable that provisions of this kind should be put into a Statute of this nature. We have no reason to suppose or to anticipate that the Central Board will disregard public feeling in this matter, but of course their first duty will be to provide an efficient staff. The actual proposal in this amendment seems hardly suitable. What I mean by that is, it does not come in very well into the clause to which it is attached. It is a sub-clause dealing with the manner in which the business of the Central Board shall be transacted and the procedure to be followed at meetings

An Honourable Member: The amendment moved is:

"That to part (j) of sub-clause (2) of clause 57 of the Bill, . . ."

The Honourable Sir George Schuster: I must apologise. I did not hear that. But in any case I suggest that it is such a vague clause as to have very little meaning and I hope that my friend who moved it will not press it.

Mr. Muhammad Anwar-ul-Azim: I don't press it, Sir, if all interests are seen to.

Mr. President (The Honourable Sir Shanmukham Chetty): Does the Honourable Member wish to withdraw?

Mr. Muhammad Anwar-ul-Azim: Yes, Sir.

The amendment was, by leave of the Assembly, withdrawn

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 57, as amended, stand part of the Bill."

The motion was adopted.

Clause 57, as amended, was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 58 stand part of the Bill."

Does the Honourable Member, Dr. Ziauddin Ahmad, propose to move his amendment No. 359?

Dr. Ziauddin Ahmad: Yes, Sir; but if you permit me, I would not like to read the two pages

Mr. President (The Honourable Sir Shanmukham Chetty): Does he propose to move it at all?

Dr. Ziauddin Ahmad: Yes, Sir.

Mr. President (The Honourable Sir Shanmukham Chetty): All right, but does the Honourable Member realise that, while he has been fighting for the depreciation of the rupee, in this amendment he seeks to appreciate the rupee? He fixes the value of the gold sovereign at Rs. 15 which means 1s. 4d. gold, which means probably 1s. 12d. (?) sterling, and the whole amendment is based on that scheme.

Mr. H. P. Mody (Bombay Millowners' Association: Indian Commerce): We can devalue it later.

Dr. Ziauddin Ahmad: I realised that those figures were put in on the assumption that one rupee is equal to 1s. 6d. and I have changed the figures in consequence of our passing clauses 40 and 41.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair regrets it cannot allow this amendment. The whole scheme is based on the basis of 1s. 4d. gold for the rupee, and the Honourable Member cannot move it. If he persists in moving it, the Chair will have to rule the amendment out of order, since already, under clauses 40 and 41 the value of the rupee has been fixed by this House at 1s. 4d. sterling.

Dr. Ziauddin Ahmad: What about the other?

Mr. President (The Honourable Sir Shanmukham Chetty): The whole of it appears to be out of order. It is for the Doctor to say which part of his amendment is in order. The Chair realises the handicap of the Doctor, because the amendment was framed by somebody else. The

whole of this amendment under the two heads "Gold Coinage and Mint" and "Coinage of Bullion" provides for the free coinage of gold at a particular figure, and the figure chosen by the author of this amendment is 1s. 4d. gold. The whole scheme is based upon it.

Dr. Ziauddin Ahmad: There is no doubt that the whole amendment was not framed by me, but it is not a fact that the whole scheme was framed for me by somebody else. I have taken somebody else's amendment to move. The point I want to make is this. There was a discussion about the change in the Coinage Act and we were promised in the year 1927 that the alterations in the Coinage Act would be taken along with the Reserve Bank Bill, and this particular thing was entirely ignored by the Select Committee and the House. This is really the point which I want to make today . . .

The Honourable Sir George Suster: May I raise another point of order, Sir? My friend said that there was a promise that this Coinage Act would be reconsidered when the Reserve Bank Bill was introduced. I do not know to what promise my friend refers; but, at any rate, if there was a promise, that promise has been broken. It has not been fulfilled. There is nothing about this in the Reserve Bank Bill, and, therefore, I submit that the whole of this amendment is quite outside the scope of the Bill. It is a coinage measure in which the Reserve Bank is not mentioned at all. It is, therefore, out of order.

Dr. Ziauddin Ahmad: May I just raise another point of order? I should first move the amendment and then the question can be raised. I have not moved any amendment yet.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair, of its own accord, raised a point. So far as the Chair has been able to understand this very complicated amendment, it is out of order in view of the decision taken on clauses 40 and 41. Apart from that, it goes clearly against the intention of the Honourable Member with regard to the value of the rupee. The Chair would like the Honourable Member to point out which part of the amendment will not come under the mischief of this. The Honourable Member should think over the matter during the luncheon interval.

Mr. B. Sitaramaraju (Ganjam cum Vizagapatam: Non-Muhammadian Rural): Sir, before you adjourn the House, in view of the rapid progress we have made, may we request you to kindly give us a longer time for Lunch?

Mr. President (The Honourable Sir Shanmukham Chetty): The House now stands adjourned till a quarter past Two.

The Assembly then adjourned for Lunch till a Quarter Past Two of the Clock.

The Assembly re-assembled after Lunch at a Quarter Past Two of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

Dr. Ziauddin Ahmad: The intention of this amendment No 359 is not in any way against clauses 40 and 41. The intention of this amendment is to introduce a gold mint in this country. At present there is no gold mint in this country and no gold coinage, and the intention is to introduce gold coinage in India. The figures given in sub-clause (2) of this amendment may be changed. They were originally given on the basis of 1s. 4d. for a rupee and they may be changed into 8·47512, and in sub-clause (3), for Rs. 15, Rs. 13-5-4 may be substituted. The original clause 58 says:

"Gold coins, coined at His Majesty's Royal Mint in England or at any mint established in pursuance of a Proclamation of His Majesty as a branch of His Majesty's Royal Mint, shall not be legal tender in British India"

That is the original provision and the object of my amendment is to prepare the way for introducing gold currency in this country. Since gold is being exported in large quantities, the object of the amendment is that we ought to check the export of gold and mint a portion of the gold in a particular form. That is, new coins are introduced under this amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair cannot allow these elaborate changes in the amendment to be made at this stage. The amendment is out of order, and in any case provision for the free coinage of gold and the establishment of mint are clearly outside the scope of the Bill which establishes a Reserve Bank for India. The amendment is, therefore, not in order.

Mr. Vidya Sagar Pandya (Madras: Indian Commerce): May I

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member cannot question what the Chair has said.

Mr. Vidya Sagar Pandya: I do not question what you have said in any way, but I wish to say that, when the Currency Bill was introduced in 1927, a similar amendment was proposed, and Sir Basil Blackett, the then Finance Member, at that time wrote three letters, one of which was to myself. It was contended that, if we did not raise the point at that time, we would be debarred from raising it at the time of the consideration of the Reserve Bank of India Bill, and he wrote a letter to say that he would see that no obstacles were placed in the way of our bringing any amendment for a change in the Coinage Act, and on the floor of the House. The then Finance Member to the Government of India gave assurance thrice to that effect.

Mr. President (The Honourable Sir Shanmukham Chetty): Order, order. This House is concerned only with the measure that is before the House, and not with what Sir Basil Blackett or what anybody else might have said before. We are concerned only with the Bill as it is before the House.

Mr. Vidya Sagar Pandya: Is this the value of the promises given by the Government

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair is not in a position to help the Honourable Member on that point. So

far as the Chair is concerned, it can decide the admissibility of an amendment only on the basis of the scope of the Bill that is actually before the House and not on the basis of what might have transpired between Honourable Members and Government on a previous occasion.

The question is:

"That clause 58 stand part of the Bill."

The motion was adopted.

Clause 58 was added to the Bill.

Clause 59 was added to the Bill.

Mr. V. K. Aravamudha Ayangar: I move.

"That after clause 59 of the Bill, the following new clause be inserted:

'59A. In sub-section (3) of section 11 of the Indian Companies Act, 1913, after **VII** Amendment the word 'Royal' the words 'Reserve Bank' shall be inserted' **191**
of section 11 of Act VII of 1913.

The object of this amendment is to prevent the name of the Bank being misused so as to deceive the public. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That after clause 59 of the Bill, the following new clause be inserted:

'59A. In sub-section (3) of section 11 of the Indian Companies Act, 1913, after **VII** Amendment the word 'Royal' the words 'Reserve Bank' shall be inserted' **191**
of section 11 of Act VII of 1913.

The motion was adopted.

New clause 59A was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The House will now take up the new clauses that have been kept pending. Amendment No. 312 in the name of Dr. Ziauddin Ahmad.

Dr. Ziauddin Ahmad: Sir, I move:

"That after clause 44 of the Bill, the following new clause be inserted and subsequent clauses be re-numbered accordingly:

'45. The Bank shall not purchase shares of any bank outside the United Kingdom without the permission of the Governor General in Council'."

The Honourable Sir George Schuster: On a point of order, Sir. I submit that the issue raised by this new clause has already been decided upon by the House. The House, by a large majority, authorised the Bank to hold certain kinds of shares, that is to say, it was to the effect:

"or any international bank formed by such banks and the investing of the funds of the Bank in the shares of any such international bank."

No limitation was put on that as is suggested by this new clause of my Honourable friend, and the House has accepted it. I submit that my Honourable friend's present amendment attempts at least to limit the scope of this earlier decision of the House.

Dr. Ziauddin Ahmad: That particular clause which we passed said what the Bank could do, it was a sort of permissible clause, and here I lay down the procedure how that power should be exercised. In that particular clause, which we have passed, the procedure has not been laid down, and the procedure is that, if they want to purchase such shares, the permission of the Governor General in Council is necessary.

Mr. President (The Honourable Sir Shanmukham Chetty): But the Honourable Member seeks to limit the power given to the Bank by a previous clause which this House has adopted. The House has given an unconditional power, and the Honourable Member cannot now try and impose a condition on that power which has already been given.

Dr. Ziauddin Ahmad: It was only a permissible power.

Mr. President (The Honourable Sir Shanmukham Chetty): Has the Honourable Member anything to say that his amendment is in order?

Dr. Ziauddin Ahmad: That clause which we have passed is only a permissible clause that the Bank will have power to purchase these shares, but this clause of mine lays down that that power should be exercised under certain conditions.

Mr. President (The Honourable Sir Shanmukham Chetty): Unconditional power has already been granted and, therefore, this amendment will not be in order.

For the convenience of the House and in order to save time, the Chair would suggest that Mr. Sitaramaraju might first move only his new clause 43:

"There shall be established a Rural Credit Department of the Bank which shall be kept distinct from the other departments of the Bank."

If he gets the verdict of the House in his favour, he can then move his whole scheme, and if the House negatives it, then the whole scheme automatically goes out.

The Honourable Sir George Schuster. May I tell my Honourable friend before he moves it, that he has another amendment down. I should like to know whether he really intends to move this very complicated amendment in preference to the simpler amendment later on.

Mr. B. Sitaramaraju: I should like to explain my position to the Honourable the Finance Member. In the first amendment, what I actually propose is a little scheme of my own for service to rural credit. In the second amendment, which is No. 335, I propose:

"The Bank shall, at the earliest possible date and in any case within two years from the date on which this Act comes into force, establish a Rural Credit Department of the Bank as a distinct department of the Bank, on such terms and conditions regarding the financing and the method of working of the Department as the Bank and the Governor General in Council may agree upon."

The second amendment would give a latitude to the Government to bring in a scheme within a period of two years, while the first amendment

which I move would be the first of a series of amendments which are in themselves a complete scheme.

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member might move 335 as an alternative amendment, if his present amendment is negatived.

The Honourable Sir George Schuster: I understood your suggestion was that the House should take a general decision on the principle of setting up a Rural Credit Department. That principle is raised in both these amendments. I submit that if my Honourable friend adopts the alternative of moving this complicated amendment No. 320 first, it is impossible to discuss the general principles, because the objections would have to be objections taken to the manner in which he proposes to carry it out. It is very difficult to discuss the general principle, apart from the particular method proposed by my Honourable friend.

Mr. President (The Honourable Sir Shanmukham Chetty): What would the Honourable Member suggest?

The Honourable Sir George Schuster: I am hoping that my Honourable friend would agree not to move this long and complicated amendment, but would concentrate on amendment No. 335.

Mr. B. Sitaramaraju: My idea was to place the whole of this scheme for consideration, but I see the point in the remarks of the Honourable the Finance Member. He says that if we were to discuss this amendment, the arguments that are likely to be advanced upon it may have an effect upon the other one.

Mr. President (The Honourable Sir Shanmukham Chetty): In any case, if the Honourable Member would be satisfied with this position that the Bank would be under an obligation to open a Rural Credit Department within two years from the commencement of this Act, then naturally the scheme would be worked out later on. That would not stand in the way.

Mr. B. Sitaramaraju: On reconsideration of the matter, I shall move amendment No. 335.

Sir, I move:

"That after clause 53 of the Bill, the following new clause be inserted and the existing clause 54 be re-numbered as 54A:

"54. The Bank shall, at the earliest possible date and in any case within two years from the date on which this Act comes into force, establish a Rural Credit Department of the Bank as a distinct department of the Bank, on such terms and conditions regarding the financing and the method of working of the Department as the Bank and the Governor General in Council may agree upon."

The original provision in the Bill was this:

"The Bank shall, at the earliest practicable date and in any case within three years from the date on which this Chapter comes into force, make to the Governor General in Council a report, with proposals, if it thinks fit, for legislation on the following matters, namely, etc."

[Mr. B. Sitaramaraju.]

The second is:

"The establishment of a Rural Credit Department of the Bank or the creation of other machinery for effecting a closer connection between agricultural enterprise and the operations of the Bank."

The Honourable Sir George Schuster: I should like to explain one small verbal point. My Honourable friend has used the expression "the date on which this Act comes into force". As a matter of fact, different parts of the Act might come into force on different dates. In clause 54, the phrase used is "in any case within three years from the date on which this Chapter comes into force". I hope my Honourable friend will appreciate that point. It is very difficult to say what the date will be when the Act comes into force.

Mr. B. Sitaramaraju: I mean the latest date. If there is any change to be made in that direction, I am prepared to accept it and further say that the Governor General in Council will have the final voice.

The Honourable Sir Brojendra Mitter: If the Honourable Member will look at clause 1, it says:

"This section shall come into force at once and the remaining provisions of this Act shall come into force on such date or dates as the Governor General in Council may, by notification in the Gazette of India, appoint."

Different Chapters may come into force on different dates. The amendment will have to be altered to indicate "when the whole Act becomes operative" or "this Chapter" whichever is suitable to my Honourable friend.

Mr. President (The Honourable Sir Shanmukham Chetty): The simplest thing to say will be "this Chapter".

Mr. B. Sitaramaraju: I am prepared to amend it in that direction. I may also suggest to the Honourable the Law Member that I am prepared to leave the final word with the Governor General in Council in this matter. In moving this amendment, it is not necessary for me to cover the ground I have already covered on an earlier occasion. Since I moved the amendment for the creation of a Rural Credit Department on the first day, I had fortunately received sympathy from various quarters of this House. Even my Honourable friend, Mr. James, was pleased to shed copious tears of sympathy. Sir, the Honourable the Finance Member was pleased also on the first day to say that he sympathised with the object I had in view. Sir, sympathy has been accumulating for over a century, but I must venture to submit that that has not led us to a well cultivated field, a busy cottage or an enlightened fireside. Sir, I hope the sympathy so profusely expressed may now enable Honourable Members of the House to dispassionately consider the very modest suggestion I have in view, namely, the creation of a Rural Credit Department. In view of the fact that the Central Banking Inquiry Committee made a very strong recommendation on this point, I think that that recommendation would be considered to furnish adequate support to the view I have taken.

Their recommendations are in the majority report at page 121 and they write about certain recommendations which :

"are intended to cover the period before the establishment of the Reserve Bank . . . But when this latter institution is established, we intend that provisions should be made in the Reserve Bank itself for linking up the co-operative banks with the Central Bank of the country and for making the provisions for agricultural finance."

Sir, the other day, on the 2nd of December, I read, of all papers, in the *Statesman*, from the pen of a gentleman who belongs to the country of my Honourable friend, Mr. James, a letter, I am referring to Sir Daniel Hamilton, and I shall read a passage therefrom. It says :

"Does this imply"

—meaning thereby the consensus of opinion which prevails in this House about the desirability of starting a Rural Credit Department—

"Does this imply that the proposed Reserve Bank makes no provision for rural credit? If not, its proper place is the waste paper basket."

Sir, I am not prepared to go so far as that. We do want a Reserve Bank; we do want that Bank to be useful and I cannot subscribe to the fate which was assigned to it by Sir Daniel Hamilton that it should go to the waste paper basket; even the waste paper basket is today full with many reports of Royal Commissions. We do want that this Reserve Bank should indeed yet prove of some use to the country. When we take into consideration the fact that a measure, intended to secure monetary stability, has postponed consideration of suitable monetary standard pending world recovery, when we note the fact that we denied yesterday a suitable ratio, if we also deny any services being rendered in the direction of rural credit, then I venture to submit that this Reserve Bank Bill will not be of much use.

Sir, I have listened with great respect to the remarks of the Honourable the Finance Member in this regard, but I would like to say that if he has taken the trouble to consider the very modest proposal that I have now moved, he would agree that I would not be putting the Government in a position of any embarrassment; on the other hand, I think I would be asking them to do what is only right and proper. Sir, although the Honourable the Finance Member on the last occasion had tried to answer me with regard to the one central idea underlying the proposals I then made, I must say his answer was not satisfactory. I said that "here we are establishing a central institution which is intended to afford facilities as a Central Bank. We are leaving out of account more than 65 per cent. of the people, to whom credit facilities have to be given, and I say, that by so doing, you are only concentrating your attention upon the satisfaction of the needs of a minority of interests only. Are you justified in leaving a large class of my countrymen unprovided by services of this kind?" Sir, that was the central idea of the whole scheme I then propounded and for which, I am sorry to say, I did not receive any satisfactory answer. Sir, the mere transference of currency and credit to the unified control of a Central Bank is not enough: a Bank which is to be a national institution, I consider, should be something more than what is now made to be under the provisions of this Bill. We consider that the possibilities of a Reserve Bank are much wider than that, and towards that end we ask that necessary steps should be taken.

[Mr. B. Sitaramaraju.]

Sir, it is unnecessary for me to point out the important role which agriculture plays in the country. I have already said that the internal economy of the country consists in agriculture, and that if we really want to do any good service by a measure of this kind, we cannot possibly ignore that internal economy of the country. Sir, it is said in one of the official documents that agriculture is not a measure of concern only to private individuals, but is the basis of national life itself, calling for the far sighted national policies and provinz for national security and prosperity. Sir, that being the case, let me examine the subject with that outlook. Sir, the other day when I first moved my amendment that there should be established, under the shadow of this Bank, a Rural Credit Department on the analogy of Australia, some criticism was levelled against it by the Finance Member on the ground that Australian Standards are different. But all I said was that on the same analogy of Australia, where a department like this had been opened under the Reserve Bank, I suggested that we too should open such a Department under this Reserve Bank. I asked for that far and no further. It was not my intention to import into this Bill foreign provisions wholesale like boots and shoes to fit as they may, but only so far as they are useful and no further. All that I do want is to point out that from the moment the Registrars' Conference sat, from the time the Royal Agricultural Commission sat, from the time the Banking Inquiry Committee, both Provincial and Central, was held, it must be admitted that the question of agricultural finance came into active consideration. Sir, it was discussed and examined exhaustively and voluminous records have grown on the interests of agriculture and on the ways and means to improve the indebtedness of agriculturists. Sir, we know even from the records and from the opinions, gathered by the Provincial Banking Inquiry Committees, that the rural indebtedness of this country is somewhere about Rs. 900 crores. Out of this Rs. 900 crores, about Rs. 400 crores are in respect of short term and about Rs. 500 crores in respect of long term. I do admit, even Rs. 500 crores of hereditary debt is a big sum.

Sir, my Honourable friend, the Finance Member, while speaking of the heavy indebtedness of the cultivator, said that it was so heavy that whatever little Government might do will not come up to relieve him. Now, Sir, under the provisions of this Bill or under the proposals which I thought it best to suggest, I have never said Government could find that sum to relieve that debt immediately. I suggested that a separate Department might be opened under the Reserve Bank with two branches, one for short term, the other for long term. The first co-ordinate under this as an apex institution at the centre and the other for the issue of land mortgage debentures on the guarantee of Provincial Governments, to give relief to the poor agriculturist wanting cheap credit facilities. But the way in which the question of rural indebtedness has been dealt with by the Honourable the Finance Member and the gloomy picture that he tried to paint of the impossibility of relief that can be afforded for the absolute hopelessness of the peasantry reminds me of a story of an Irish Doctor. The Irish Doctor was asked one day to examine a wounded man. The Doctor examined the wounded man and found that he had three wounds over his body. He said that there was one wound which would prove fatal, but he would recover from the other two wounds. Sir, if this heavy indebtedness is impossible to be alleviated, then the patient is destined to die whether you encourage co-operative credit institutions

or establish land mortgage banks. What good will they do then, if he were to sink under the load of debt? That does not afford us any consolation. On the other hand, we think it possible to relieve him and that it is high time that means should be devised forthwith to help the poor cultivator. After all, Sir, the very words in which I have moved my amendment show that I do not wish to embarrass the Government by asking for the impossible. Do Government feel or do they not that there is a need for affording relief to these people? If they do feel that it is necessary to afford, under the shadow of this Reserve Bank, some sort of relief for these people, then the form in which and the conditions under which and the methods by which that relief can be given is still left under my amendment to the Government itself. I venture to submit, Sir, that if they have got the will to do it, certainly it can be done under the provisions of the Bill. But if they have not got the will to do it, no amount of arguments that I can possibly bring forward will be able to convince them of the possibility of doing so. Sir, if I have persisted in bringing forward this matter again before the House, it is because that once you give up this matter now, there will be no other chance of this matter being taken up in the same way as it can be done now. If the Reserve Bank were to keep a separate department, it would have provided for as an apex institution of that Bank for the purpose of co-ordinating these various activities. With reference to the example of Australia to which reference was made by me and reply was given by the Honourable the Finance Member, I wish to point out that I have never for a moment suggested that Australia has not a very small population to deal with. I admit, India is a very big continent and the rural population is such that it is very difficult to establish a direct contact with it. If I had suggested that we should establish a direct contact with the rural population and do away with the intermediate organisations, that argument certainly would hold good. But I have never suggested that. On the other hand, it is my desire that the provincial organisation should be strengthened; but, at the same time, there must be an apex institution at the top. It may be said that an apex institution of this kind can be organised separately also. But we know that it is far cheaper and much more effective to have an apex branch under the Reserve Bank than to have a separate institution. With regard to the other objection, namely, the want of banking knowledge of our people, I may say that whatever may be the experience of my Honourable friend, the Finance Member, with regard to the Australian people, the co-operative banks have amply demonstrated the fact that, given the necessary conditions and facilities, our people can easily take advantage of them and show a great banking aptitude. Sir, the success with which the co-operative movement has spread all over the country is a proof positive that banking institutions are not such an impossible institution as not to be understood by the people of this country. If banking knowledge has not been extensive, the fault is of the Government for not providing for its growth. Government create a situation and complain about it. It is not fair. The Government of India should not complain about the want of banking instincts unless and until they have given the people of this country proper facilities and tested their capacity by establishing such institutions. Of course, if you find that the institutions that you have established have not been taken advantage of and the people have not learnt to profit by them, you will have a right to complain. But so long as you do not establish such institutions, it is no good saying that the cultivators are not likely to take advantage of them.

[Mr. B. Sitaramaraju.]

In conclusion, I wish to say that by dropping my original amendment, I have modified my proposals and I am only proposing a modest amendment now, an amendment which gives complete discretion to the Government to do what they think best in the matter. All that I ask in this amendment is that Government should commit themselves to open a Rural Credit Department. Once more I would repeat that if they do not do that, they will be leaving a large class of people unprovided for. That is not justifiable and that is the ground on which I take my stand. With these words, Sir, I move my amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved :

"That after clause 53 of the Bill, the following new clause be inserted and the existing clause 54 be re-numbered as 54A :

'54. The Bank shall at the earliest possible date and in any case within two years from the date on which this Chapter comes into force, establish a Rural Credit Department of the Bank as a distinct department of the Bank, on such terms and conditions regarding the financing and the method of working of the Department as the Bank and the Governor General in Council may agree upon'."

Rao Bahadur B. L. Patil (Bombay Southern Division: Non-Muhammadan Rural): Sir, it might be argued that the Reserve Bank Bill has nothing to do with the financing of agriculture or the agricultural industry. It might also be argued that the very scope and object of this Bill are far away from the kind of work that this amendment seeks the Reserve Bank to do. Sir, if I have answered this objection, I think, in my humble opinion, I have done my duty. It is the primary duty of any State as a State to look after the development of agriculture and the relief of indebtedness of the agriculturists in the country. If this proposition is once conceded, I am sure that I am in a position to prove that Government have been so far negligent in this matter and have done absolutely nothing so far as these poor class of agriculturists in India are concerned. It is only the repeated famines that first opened the eyes of Government. Then, Sir, fifty years ago, Government appointed what we know as the Famine Commission. Before that Commission, several schemes for financing the agriculturists and for removing the indebtedness of the agriculturists were mooted, but they were all rejected. Anyhow, the verdict of that Commission was that the agriculturists of this country are so foolish and so stupid that their case is hopeless and irredeemable. It was said that the agriculturist had to thank himself for this. Thereafter, the Government in a half-hearted manner put on the Statute-book of this country two Acts; one was called the Agriculturists Loans Act and the other the Land Improvement Act. It is an admitted fact that these two Acts have remained dead-letters in many of the provinces and, in those provinces where they have been worked out to some extent, they were not in a position to give substantial relief for the classes in whose interest they were enacted. I am not stating this on my own authority. I draw my support from what has been said in the report of the Royal Commission on Agriculture. On the recommendation of the Bombay Government, the Government of India recommended to the Secretary of State that a State Agricultural Bank should be started in this country to finance the agriculturists directly and to look to the relief of the indebtedness of that class. Sir, that was hanging fire for several years in the office of the Secretary of State—for nearly five years or eight years, and ultimately the proposals both of the Provincial Government and of the Government of India were turned down.

After that, we heard nothing. Even Sir William Wedderburn put before the English public as well as the Indian public that if at all anything is most essential for the welfare of the country as a whole, it was the relief in the finance that was required by the agriculturists of the country. Sir, this Government is very slow to understand the difficulties of the dumb masses.

Then, before I go to mention in what respect this rural credit department can serve the agriculturists, I should like to place before 3 P.M. this House one finding of the Royal Commission on Agriculture. I think I have made it clear to this House that Government have not done anything substantial to help the agriculturists so far. The report of the Royal Commission states:

"The obvious alternative to a system of loans from the State is the Land Mortgage Bank under the Co-operative Act."

That is exactly the way in which this amendment seeks that help should be taken to the doors of the agriculturists. Relying upon that finding of the Royal Commission, I should like to state to the House that, if such a department is opened under the auspices of this Bank, I am sure that the agriculturists can be benefited in a number of ways. What is needed for the agriculturists is two kinds of loan; firstly, what we call the short-term loan and the other is the long-term loan. By the short-term loan we can satisfy the needs for current purposes and also we can encourage cottage industries. By advancing long-term loans also, we can help him in many ways. In the first place, he will get facilities for effecting permanent improvements in agriculture and, in the second place, he will be in a position to redeem his lands mortgaged to the creditors. It is also possible for him to develop some of the industries on which agriculture depends. This is a point on which I should like to dilate a little. Many Honourable Members may not be in a position to understand what are the industries on which agriculture depends. I might mention cattle breeding as one of such industries. Horticulture is another. The manufacture of agricultural implements is a third sort of industries and, on all these agriculture itself depends, and, in order to establish and develop these industries, it is necessary that agriculture must be financed by the State. Then it is also possible to encourage the industries which encourage agriculture though they themselves are not agricultural occupations yet, by providing finance we can see that the industries which encourage agriculture can be developed. Among such are dairy farming, poultry farming, sugar manufacture, and so on. I do not like to tire out the patience of the House by enumerating the various kinds of occupations which would be encouraged by the help of finance. All that I want to emphasise is that, if the agriculturist is ignorant and helpless, he can be made to improve his position if proper finance is available to him in times of need. What the land mortgage banks can do and what they have done so far are matters which are not known to the country as a whole. Many Honourable Members may doubt the usefulness or the utility of these banks. I have heard some Honourable Members say that co-operative societies have largely contributed to the increase of the indebtedness rather than to diminish it. Sir, it is not the fault of the system, it is the fault of the persons who run the societies. Therefore, we cannot blame the very system of advancing long term loans through the land mortgage banks. Unfortunately, in this country, there are very few land mortgage banks to convince people of their utility. Of course, my friends, who come from Madras, know how very useful they have been

[Rao Bahadur B. L. Patil.]

in that part of the country, but those who have been working them today are convinced that, unless there is sufficient finance, it is not possible to make them a success. At least, in my province, the work has been handicapped for want of finance. Several promises were made by the Local Government, but, on account of its own difficulties, the Local Government is not in a position to assist the land mortgage bank which is operating in my part of the country. Sir, I am of opinion that, instead of allowing these land mortgage banks to be at the mercy of the Provincial Governments, it is high time that we should establish in this country a source of finance which will be certain and on which we can confidently rely. That is exactly the reason why, though this Rural Credit Department is not quite relevant to the Reserve Bank Bill, we seek to embody it in this Bill. Sir, I think, as was said by the Honourable the Mover, that full scope is given to Government to formulate a scheme which will be in a position to satisfy both sides. Under these circumstances, I hope Government will not object to incorporate this amendment in the Bill. Sir, I support the amendment.

Maulvi Muhammad Shafee Daoodi: Sir, the amendment places before the Honourable Members of this House, in my opinion, one of the most vital needs of a vast majority of the population of this country. I have been thinking from the very beginning when this Reserve Bank Bill was brought before us as to what measure of relief it is going to give to the great rural population of India. I was told that it was a Bank that did not give any relief to that population; it is an institution which is meant for the rich and for the capitalists. So I ceased to have any enthusiasm about this Bank, because I feel that the one need of India at present is how to utilise the awakening which I find in the rural population of the country at the present moment. The whole population is up and doing; they feel that they have none to look after their interests and, therefore, they are exasperated. I find that there are people who want to take advantage of the situation and will certainly take advantage of it if the Government and the Legislature of this country are not going to look to the matter very seriously. Very serious consideration should be paid to this awakening among the rural population and, so far as my limited knowledge of banking goes, I think one of the most suitable occasions for providing relief to the rural population is afforded in this Bill. That is the reason why I thought I should speak one or two words in connection with this question and I have taken this opportunity of laying my views before the House. I am not competent to say whether this Rural Credit Department would be of immense value to these people, but I do feel that the rural population is very much handicapped on account of want of money, and we find that they run from door to door for help to enable them to improve their lot. Therefore, I find that none but a Bank of the nature we are establishing would be a proper institution which could give them that relief. That is my sole justification for making a few observations on this question. As I cannot tell the House how it can be established, I would not say anything more, but remain content with these few remarks that I have made.

Mr. G. Morgan (Bengal: European): Sir, with regard to the establishment of a Rural Credit Department under the Reserve Bank, I am rather like my Honourable friend who has just sat down. I could not tell the

House how it should be done, but I feel that something in the way of extending facilities for finance to the agricultural population is necessary. The basis of all the speeches that have been made in this House, with regard to this subject, is to devise some scheme by which funds may be available to the agriculturist.

Now, Sir, I had the honour of giving evidence before the Agricultural Commission the whole of one morning and I found that the financial part of the investigation seemed to fade away, and never seemed to get fixed in their minds at all. No one seemed to know what to do and I could never get anything definite out of any of the members of the Commission. They went off into side lines and the financial part, which I consider really should have been the basis of their investigation, seemed to be so difficult that they were unable to say anything definite on the subject. But there is one point with regard to the setting up of this rural credit establishment; how would that affect the system at present of co-operative societies? I have had to do with co-operative societies in Bengal ever since they started, and I have seen the very bad times they have gone through. A great number of societies have faded away, including some of the Central Banks; and, I think, if you look at the Calcutta Gazette, you will find that the Registrar of Co-operative Societies closes down,—I do not know how many,—but it occupies two or three pages of the Gazette every week.

Mr. B. V. Jadhav: Is there any epidemic among those societies?

Mr. G. Morgan: Must be—an epidemic of "want of funds". The question is, would those societies have to cease to exist if an organisation of rural credit was set up? Otherwise I do not see myself how this rural credit organisation would function. The Reserve Bank has got, on its scheduled list, co-operative societies, and if the co-operative societies were really functioning as they are intended to function, that is, to bring money, and relief into the hands of the agriculturists, the apex, i.e., the Provincial Banks and the Central Banks or a Society, where there is no Bank, would be in a position to deal with the Reserve Bank and get the funds necessary to finance the co-operative society. If the co-operative societies are not going to function, then, how is the rural credit organisation going to function? How is the rural credit organisation going to get down to the man we want to get down to? It is not as easy as it seems on paper. I could make out a lovely scheme, but it would never work. I could write it down on paper, but I am perfectly certain that, as far as getting funds into the hands of the agriculturist was concerned, it would never benefit him at all. At the same time, there is no doubt that, whether we have got to reorganise the Co-operative Societies Act, or whether we have got rural credit organisation, in order to make those facilities available to the people for whom the co-operative societies were started, is a matter which will require immediate investigation. This amendment unfortunately puts in a time limit of two years. I am perfectly certain that a new Bank, starting as the Reserve Bank will start, will not be in a position within two years to carry out the complete investigation necessary to set up an establishment of this description: nor am I competent to say whether an organisation of this description should be part of the Reserve Bank. That I do not know. If it is possible, if it can be, then it may be a very excellent institution; but I oppose this amendment, because my Honourable friend has limited it to two years. I am perfectly certain that the new Reserve Bank will not be in a position to work out a rural credit establishment or set it up.....

Mr. B. Sitaramaraju: After the Act coming into force.

Mr. G. Morgan: Then you are looking about five years after, I suppose: I am absolutely in favour of some organisation being set up to investigate as to how far the co-operative societies are dealing with the subject and whether they are really the useful societies that they are supposed to be and whether the relief gets down to the agriculturist.....

Mr. B. Sitaramaraju: Are you quite sure, the question was not examined before?

Mr. G. Morgan: The question may have been examined, but the result is as we know it today, and my Honourable friend's amendment shows that he is not satisfied with the result today. We have every sympathy with the establishment of an organisation to bring relief to the agriculturist, but, with regard to this amendment, I certainly could not support it, because of the two years limit which is put in. I have simply said those few words in order to emphasise that the matter is of the utmost importance, and for 10 or 15 years it has been talked about and we have had very little result from all the talk. The time has now come for real direct action, and I trust the Government, or the Reserve Bank will, if it is possible to have a department of this description as soon as it is set up, immediately investigate the possibility of establishing a Rural Credit Department.

Mr. B. V. Jadhav: Sir, I rise to give a halting support to this amendment. The condition of the agriculturist has been engaging the attention of all persons in this House and very earnest speeches have been delivered in the course of the debate on this Bill also. When one considers about agriculturists, we have to bear in mind the two principal divisions among them. One is the big zamindar who owns the land and the other section is those who cultivate the land by the sweat of their brow. Their interests are not common. One may run counter against that of the other. My Honourable friend, the Raja Bahadur, who represents the first class, that is the landholders class.....

Raja Bahadur G. Krishnamachariar: And I am a cultivator, if you please. I do not plough, but I do cultivate myself: I am both.

Mr. B. V. Jadhav: My Honourable friend, the Raja Bahadur, who belongs to the first class of landholders, and now he says that he is also a cultivator, ...

Raja Bahadur G. Krishnamachariar: I have always said that; I did not say it now: that is what I have said from the beginning.

Mr. B. V. Jadhav: I know that he is a cultivator too: he perhaps cultivates his garden for his pleasure and not to earn his living. If he goes to his field, he goes in a motor car.

Raja Bahadur G. Krishnamachariar: Is that the grievance?

Mr. B. V. Jadhav: It is not a grievance at all. So, the grievances of the one class are not the grievances of the other class. Very big finance from an agricultural bank or a scheduled bank or the Reserve Bank will be a useful thing in case of this class no doubt: when they have got big estates, they require big finance to cultivate it and to raise crops which

will bring in thousands and lakhs of rupees. But, for the poor cultivator, the tenant of some big zamindar, much finance is an evil. The co-operative societies have been established during the last 25 years and they have tried to reach this small class of peasant cultivators; and now we see what the result has been. My friend, Mr. Morgan from Bengal, has just told us that every week the Calcutta Gazette publishes a long list of co-operative societies that are taken into liquidation. The tale in my province, the Bombay Presidency, is equally harrowing. The co-operative societies in these hard times are not doing well. The cultivator, who borrowed from the co-operative society sums of money for the cultivation of his land, finds that after the sale of his crop and after paying the land revenue, which he must pay to the benign British Government, very little is left to pay off even the interest on the loans he had taken from the co-operative society. much less is he able to pay the instalment that was promised by him. So in this way the debts to the co-operative societies have been piling up. The village co-operative society on this account cannot pay to the Central Bank and that too finds that arrears are piling up by leaps and bounds. It also cannot pay its instalment to the Provincial Bank, and the Provincial Bank in this way comes into difficulties.

Sir, the real difficulty of the cultivator has been that the present low level of the prices of agricultural products takes away all the profits from the land. He cannot pay any instalment to the co-operative society, and so no co-operative society will advance him money. He is at a standstill. The co-operative society stagnates, it cannot pay its debts; it has to be put into liquidation, and that is the sum and substance of what my friend, Mr. Morgan, says. In the case of the land mortgage banks too, Sir, the same tale is repeated. The agriculturist or the cultivator, who borrowed Rs. 5,000 or Rs. 10,000 to pay off his old debt, now finds that he cannot pay his instalment, he cannot pay even the interest on that loan. As a matter of fact, Sir, we find that these land mortgage banks were very profitable to the *sahucars*, because they realise their debts, but the cultivators or agriculturists, whose lands are nominally free from mortgage debts, are the worse off for the liquidation of those debts. In this way, if credit is to be provided to the agriculturists, then his difficulties will grow, at all events his difficulties will not diminish. The present day condition of the landlords too is not very happy. Only yesterday I read in a paper that in Bengal, where they enjoy permanent settlement, no less than 350 freeholds were put to auction by Government, because there the zamindars are owners and they failed to pay the *kist*. If that sort of thing goes on at a rapid rate, then it shows that neither the condition of the landlords nor the condition of the cultivators is very happy, and, therefore, something ought to be done to improve this condition instead of trying to insert this provision to extend facile credit for the relief of the agriculturist. In my part of the country, Sir, there are no big zamindars. We are peasant proprietors, but the benign British Government gave the powers of mortgage and sale to the holder of the land, and that, instead of proving his salvation, has proved his ruin. The cultivator, who was the owner of his soil, finds that his land has risen in value and, therefore, any *sahucar* will lend him two or three hundred rupees or a thousand rupees, and, whenever he is in trouble or difficulty, he borrows perhaps much more than is really needed by him, and then he finds that his troubles begin to multiply.....

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) vacated the Chair which was then occupied by Sir Leslie Hudson, one of the Panel of Chairmen.]

He has to pay a very heavy interest, and then sometimes there is famine or scarcity, and then the interest charges multiply, and ultimately the land passes into the ownership of the monied classes. The province of the Punjab in this respect, I find, is better provided. They have restricted alienation and, therefore, the credit of the landowner is also restricted. So there the cultivator cannot run into very heavy debts, and the debt charges are not so heavy as they are in my part of the country....

Mr. Muhammad Yamin Khan (Agra Division: Muhammadan Rural): How much have you to pay? In the Punjab, there are hundred crores debt.....

Mr. B. V. Jadhav: That is not a thing on which you can feel proud.

Mr. Muhammad Yamin Khan: I don't say it is a matter of pride.

Mr. B. V. Jadhav: But, then, how is all this heavy debt to be liquidated? If you start the land mortgage banks and pay off this debt, then the *sahucar* will be very happy; but, what of those who have ultimately to pay? They will not be able to pay, and then there will be many difficulties. The day before yesterday, Sir, we read in a paper about some tenants refusing to pay their rents to the landlords. The landlords got their decrees. They found that it was very difficult to execute those decrees, and then ultimately Government had to send their police and their officers to help the landlords to oust the tenants from their homes. It is a very hard thing indeed, no doubt, but I cannot blame the Government. They have to execute the decrees of the Courts, and the Courts have to weigh the evidence that is brought before them. There are rent notes which the landlords place before the Courts and the Courts have to pass the decrees, and the Government have to execute those decrees. But, then, what is the result? The poor people are driven out of their houses. What little they have is taken away and sold, and these people are reduced to virtual starvation. In that way, these people have to break the law somewhere, with the result that the respect for law and order is diminishing. Government will have ultimately to see that something should be done to remedy this sort of thing.

Sir, the land question is a very important question, but I am afraid that it will not be solved by this method of providing cheap facile credit. The disease is somewhere else. The disease is in the economic condition of the country, nay, of the whole world, and, unless a suitable remedy is found for that disease, there is no chance of any improvement in the condition of the ryot. The establishment of rural credit and things like that might afford some relief somewhere, but it will not eradicate the disease altogether. Something radical has to be done and Government ought to do it as early as possible. Government have been sleeping over this matter. Government do not take any steps to raise the food values, and, as long as that is not done, the condition of the cultivators as well as the landlords will remain as bad as it is. The condition of the ryots is bad enough, but I think the condition of the landlord has become worse and worse. He is not getting his rents and he is obliged to pay the land revenue to Government from out of his own pockets. He will, poor fellow, do it as long as he has any means, but when he is impoverished, then Government will have to sell away his land as they have been doing in Bengal and

other places. More and more people will come under that condition and there will be very few persons who will be able to purchase. This problem is getting worse and worse day by day. Government are, I think, not making any move in the matter. They are following the *laissez faire* policy. They expect that something good will turn up and matters will mend themselves. I do not think so. America is in the same plight, and America has been trying her very best to ameliorate the situation. Their methods may be wrong, they may commit an error and the condition may not improve as they expect, but, at all events, they are making an honest effort. But I see that Government here are not making any effort at all. The only effort that has been made so far came from my Honourable friend from the Punjab yesterday when he said that all the debts of the agriculturists should be cancelled. If that comes about, there is no necessity of these land mortgage banks, the solution of the problem will become very easy, and if all the debts are got rid of, the class to which I belong will be the happiest.

Raja Bahadur G. Krishnamachariar: I congratulate my Honourable friend, Mr. Jadhav, on the very able speech that he has made in support of his halting support to this amendment, but before I proceed further, I must protest against one thing. He said that cheap credit is dangerous to the ryot,—*facile credit*, I believe, he said.

Five years ago, there was a resettlement in my district of Tanjore. There are certain principles laid down for fixing up the re-settlement rates, my friend, the Settlement Officer, was not able to dovetail any of his conclusions into those principles laid down by the Madras Government. So he started by saying that too much money in the hands of the ryot is a very dangerous thing and it is just as well that it goes into the pockets of the Government. I am not exaggerating although it was not stated in so many words, this was his conclusion, and I submit that that was the chief ground upon which he raised the rates by 18½ and 25 per cent. He had a little mercy. He said he would not put an all round rate of 25 per cent, he included lands which were never under double crop cultivation and added to them 25 per cent. He included lands which were never cultivated continuously under single crop cultivation and added 18½ per cent. Upon that conclusion we protested to the Government of Madras, and the Madras Government, when they gave us a very good reply, said, after all, the ryot is so imprudent that it is just as well that not much money is left in his hands—courteous terms, sweet words, but the same conclusion that the Settlement Officer arrived at. I believe my Honourable friend, Mr. Jadhav, was for some time in chains under a bureaucratic red tape system. I do not know how long it takes for you to shed the contagion of the red tape, somebody said five years in an earlier part of this discussion. I do not remember whether five years have passed since my Honourable friend had been in the meshes of that red tape. Probably, it has not, otherwise I would not have heard the unfortunate remark that he made that if we had cheap credit it is bad for us. No, Sir. It is not so. As a matter of fact, we want money from morning till evening. Government knew that. (*An Honourable Member:* "As pleaders make it.") I am coming to pleaders and agriculturists immediately. I was on this question of money being made to us easily available, and I shall recite very shortly the attempts made by the Government to provide us with money. You know there is a system called the *takkavi* system. The *takkavi* system is a system by which we are supposed to be provided with money whenever we want it. I will tell you exactly in as few words as possible of the way in which we are treated. Suppose

[Raja Bahadur G. Krishnamachariar.]

I want Rs. 100. My application first goes to the *Karnam*, that is to say, the *Patwari* as they call him in this part of the country. Then it goes to the Revenue Inspector, then it goes to the *Tahsildar*, then it goes to the Deputy Collector. All these gentlemen only rely upon the *Patwari's* report, they do not know anything about it. They eventually say, this man is not worth Rs. 100, we will pay only Rs. 75. But God be blessed for small mercies. We heard, the other day the Finance Member, in detailing his budget, said there is a little item of Rs. 17 odd for bribing lower officials. (Laughter.)

The Honourable Sir George Schuster: Only four rupees. (Laughter.)

Raja Bahadur G. Krishnamachariar: That man is lucky. If you want to see my accounts, it comes very nearly to 12 per cent every year all told. I won't say to whom it has been paid, but it certainly amounts to a very high figure.

Mr. B. V. Jadhav: Do you think that the hands through which the money passes are sticky?

Raja Bahadur G. Krishnamachariar: Sometimes it is so sticky that it does not go beyond. I tell you, I am not exaggerating, I am speaking the most solemn truth when I say that about Rs. 40 or 45 reaches my hands out of the Rs. 75. I am quite satisfied with the Rs. 40, because something is better than nothing. So I take it home. I utilise it not for land purposes alone, I quite admit that, because I am hungry and I have got first to eat and enable myself to live so that I might utilise this money. Then I do apply to the land. The land is cultivated, the harvest time comes. There was a cyclone in Madras the other day. I had a letter this morning to say that a portion of my lands, about 300 to 350 acres, are submerged, that trees standing on the ridges have all fallen down, and as regards the crops,—you might easily imagine what it is going to be when the harvest time comes within the next month. But the Government—I do not blame the Government at all, Sir Gurudas Banerjee said that the ryots required to be protected not against the English official, but against the Indian official—he said that in the course of his evidence before the first Public Service Commission—they come and give a report today that the crop is very good, that is to say, 14 annas in the rupee. That report goes to the Secretary of State, but when the time comes for repaying it, I am supposed to repay Rs. 75. With the greatest difficulty I am able to get some postponement of the demand. That is the sort of credit that was provided for me, and if that is the sort of credit that my Honourable friend, Mr. Jadhav, was thinking of, I do not want that credit. As a matter of fact, we do want money and I am not sure whether the rural credit system will provide for it. If it does, I shall be glad, for I have been pestering the Finance Member in time and out of time, whether it was relevant or not relevant, that I want some facilities for financing the agricultural operations. Sir, my Honourable friend started with saying that I was not an agriculturist and that the interests of the agriculturists and the landlord conflicted. I am not aware of the circumstances in Bengal, nor where the permanent settlement is in force. As one of the peasant proprietors, to which my friend,

Mr. Jadhav, or his province belongs, I do not suppose he is an agriculturist himself, I submit that there is absolutely no conflict of interest between us who own the *patta* of the land and the man who actually cultivates it, because he has got to cultivate on account of certain immemorial customs and superstitions if you like to call it. What is the conflict of interest? He has got to plough the field and cultivate it and when the time for harvest comes, he takes his share and I take my share. This is all, and between us there is very little left for the Government have to get their revenue.

Khan Bahadur Mian Abdul Aziz (Punjab: Nominated Official): What happens when a cash rent has to be paid by the tenant to the owner, and land revenue is suspended or remitted? Is the rent suspended or remitted by the owner?

Rao Bahadur B. L. Patil: If it is remitted to the extent of the assessment, it is remitted even in the case of a tenant.

Sardar Sant Singh: I would remind my friend of sections 34 and 35 of the Tenancy Act of the Punjab.

Khan Bahadur Mian Abdul Aziz: I know that. I am talking of Bombay and Madras.

Raja Bahadur G. Krishnamachariar: There is no such thing as cash paying tenant in our part of the country. In the Madras Presidency, where the ryotwari system is in force, there is no such thing as cash paying tenant or grain paying tenant. Either I cultivate my lands myself through labour or I lease it to a lessee who agrees to pay me so much and he in turn has got to employ that very labour that has been with me in order to cultivate the lands. Therefore, the question of cash rent does not arise in the case of ryotwari lands. I am talking chiefly of the ryotwari holder under the Government.

With regard to this question of indebtedness, a good deal has been said about it. There is one little thing that has been entirely lost sight of in the course of the evidence before the Royal Commission on Agriculture. One of the Members of the Madras Board of Revenue was examined. I believe it was the Settlement Department Commissioner. He pointed out that, out of about 560 thousand pattadars, 85 per cent pay from one rupee to ten rupees as land revenue to Government. Now, according to Lord Curzon, the great statesman of stately periods, a sample of which my Honourable friend, Mr. James, read the other day, in the Resolution that he passed in reply to the late Mr. Romesh Chander Dutt's indictment against the settlement policy, he pointed out that the Government were entitled to 50 per cent of the net produce of the land, and the entire calculation even for the qualification of being an elector to the Legislative Council and Assembly is based upon that assumption. I shall go a bit further. I will take it that what the man has got to pay as land revenue is only one-third of his produce. Don't go to the lowest limit, one rupee, but take the highest limit, Rs. 10. The annual income of this man is Rs. 30, out of which Rs. 10 goes, and he is left with Rs. 20. That is all he has got for all his labour throughout the year and this is the plight of the landless tenant. What are you going to do? I entirely agree with my friend, Mr. Jadhav, that the question is not merely one of supplying him with funds

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that he wants to cultivate the land. The question is to raise his economic prosperity. Within the last few years we have heard a great deal of rural uplift. I do not know, if any of my Honourable friends have been in villages since this system came into existence. I tell you what happens. There is the Deputy Collector. There are some honorary workers in this rural uplift department. They all come to my village. The old village drum is beaten. Plenty of garlands and plenty of fruits are brought and probably there is some little feast for these gentlemen. Then one man stands up and harangues that we must live in better houses, remove the squalor, drink clean water and all that sort of thing, which we all knew about, and then, in the evening, they go away and write a report to say that so many villages were visited and people instructed to do so and so. We knew all these things. We never wanted any of these rural uplift workers to tell us that we must drink clean water. We do not want to drink dirty water, but where is the pure water? Have you dug any well? No. Why? Because the Government have no money—perennially chronic want of money is pleaded when I go and ask for relief. You want state-ly houses. You want buildings for the housing of important officials in the Presidency towns. You find the money provided for. God knows how the money comes. I see the houses rising. I go there and say that a group of villages is in trouble. I want some money. Then the order is something like this: The Right Honourable the Governor in Council finds that there is no money. The application is rejected. That is the endorsement. Where there is a will, there is a way. The entire money belongs to me and to nobody else. They must provide me with some money before they utilise this money for some thing else. The great Law-giver, Manu, divided the population into four classes. The first and the foremost is the producing class. The next is the official. I do not mean any disrespect to my friends on the Treasury Benches. He put the officials, the lawyers and that class of people as parasites on society. The third constitutes the beggar class which does not do anything and it is worse than a parasite, and the fourth class comes in between the producer and the parasite. (*An Honourable Member*: "What about law and order.") Well, law and order came into existence only the other day. Somebody in Bengal takes to throwing bombs and then comes the question of law and order. Before that, we never heard of that. I have lived 62 years in this world and it is within only the last few years that law and order is looming so large. Why is it? As Bacon said, find out and probably you will find something deeper, what my friend, Sir Tej Bahadur Sapru, called the call of hunger. That is the whole trouble. What do the Government do to tackle this question? I will tell you what happened in Madras. I am acquainted with Madras so much that I am citing my examples from there. There was a hue and cry in the Madras Legislative Council that the East and West Godavari districts, where the new resettlement scheme was proposed, could not really pay this enhanced assessment. After two or three years of trouble, the Madras Government agreed to institute an Inquiry Committee. Now, that Committee, after a great deal of trouble and technical opposition, were able to sit and make an enquiry. They made a report which, however, the Government did not expect. They found that the Committee were of opinion that the people both in the East and the West Godavari districts could not really pay the enhanced assessment. And so far—and I have been a close follower of these things—we have not heard that the Madras Government have taken any action upon it. My Honourable friend, Mr.

Mudaliar, will probably enlighten us if they have. The fact of the matter is that, immediately after this report was submitted, the Budget discussions came on. Some gentleman wanted to reduce some demand of the Honourable the Finance Member of Madras and said: "I have got in my hand the Economic Inquiry Committee's Report which says that the people cannot pay this assessment and, therefore, you better reduce that assessment". The reply was: "Well, if I do that, then every district will come up and say, 'we cannot pay the assessment'. How shall I then run this Government? Therefore, all such requests are impossible". That, Sir, is the way they have been going on. For every statement I make on the floor of this House on this point, if it is challenged by anybody I am quite prepared to produce chapter and verse by means of certified copies.

Sir, I was talking of the injunctions of the great Manu. Now, let us turn to what a great Muhammadan Emperor did. We have all heard of Chenghiz Khan. He had a grandson, I believe, by name Uluq Khan.

Mr. Muhammad Yamin Khan: Chenghiz Khan was not a Muhammadan. "Khan" means only the ruler or the head of a clan.

Raja Bahadur G. Krishnamachariar: Well, if Khan means a chief, then "Yamin Khan" means he is also going to be a chief, or in fact he is a chief. Now, this Uluq Khan issued a ukase which, I would be sorry if the British Government also adopted it, said that "the agriculturists and the artisans are the only two useful members of society, so preserve them. The priests, the lawyers, the doctors and all the people go, and drown them in the Tigris." (Hear, hear.) So if you take ancient history—and you cannot build modern history except upon the basis of ancient history—you will find that both Hindu and Muhammadan statesmen were perfectly agreed in regard to the great desideratum of protecting the agriculturist. Sir, while I greatly support this scheme, I am not sure myself that this scheme is going to usher in the millenium. As my friend from the Punjab pointed out the other day. . . .

Mr. B. Sitaramaraju: May I just point out to the Honourable Member that I am not moving the amendment relating to the scheme now, I am moving the other amendment.

Raja Bahadur G. Krishnamachariar: I know. But you insist that the Government should establish a Rural Credit Department, in
4 P.M. order to do what? To supply credit. Money is wanted—I do not say that in order to secure facilities for agricultural operations and the other things and also for the payment of the Government *kist*, which is inexorable, money is not wanted,—but I say that money alone is not sufficient for the reasons stated by my Honourable friend from the Punjab the other day. Most of these people, whether they grow their produce or whether they take it from the nearest grower, do not pay any money at all. Most of the agriculturists grow what they want, and their wants are few, as Goldsmith said:

"Man wants but little here below,
Nor wants that little long."

Unfortunately, Sir, we have been taught to want more. The result is that we want for the other things that we desire, money. That is where the trouble comes. As a matter of fact, the real agriculturist in the

[Raja Bahadur G. Krishnamachariar.]

villages, the man who actually cultivates the land, has no money; and he does not want any credit from any bank: all that he wants is facilities for living the simple life that he and his ancestors have been accustomed to, under at least tolerable surroundings. How you can ensure that except by raising his economic level, it is impossible to say. Sir, I know the Honourable the Finance Member is very keenly interested in this. I hope I am not betraying a secret, but I may say that although he has been so very busily engaged and I am not sure that he had many peaceful nights on his bed, he yet gave me very nearly an hour's time in order to find out what the real difficulties are of the agriculturists, and he had the other day a sheaf of papers containing the budgets of so many families. Well, the cry is the same. "Raise their economic level", and, in order to do that, "appoint a Committee". Sir, I have got a suspicion of these Committees. As some cynics said, these Committees are "an indirect way of finding out what every body already knew". Do not appoint men like, at any rate, some members of the Royal Agricultural Commission who, when they were not able to account for the want of prosperity in the country, fired off a statement nonchalantly that the ryot is so improvident that, whatever you do, he will insist on sinking down and down. Sir, there is a Tamil proverb which says that the horse not only threw you down, but dug a hole in order to bury you. You have done nothing, and you say that the whole of it is on account of improvidence. Sir, improvidence, if it means anything, presupposes the possession and the wasting of money. But where is the money? I have told you that about 85 per cent of the landholders have got only this glorious sum of Rs. 20 per annum whereupon to live, to feed himself, his wife, his children and other dependants. That is their life. Sir, it is unkind, it is uncharitable, that the ryot should be accused of improvidence, because he patronises your own Abkari Department. You had better go round to any village during the harvest time. Formerly there used to be fried grains kept and sold to the villagers. Now, in every village within fifty yards of such a place you will find two or three potfuls of this liquid, and whatever I give in grain, he takes, goes to the shop, sells it, takes a drink and he is quite satisfied. Now, he does that only once in a way and this brings to my mind the case of a man who was once prosecuted for being drunken and disorderly. I was in Court and the man was asked: "*Kin Piya*"? "Toddy? Four annas". Then another man was asked: "What did you drink?" "Liquor? Eight annas". Then this man turned to the Magistrate and said: "Don't you drink occasionally? Why should I be fined and why should you not be fined?" That is the position. A man occasionally treats himself to drink, he cannot afford to do it every day, and that is what is supposed to be improvidence. So I say, do not appoint these gentlemen who do not understand us, and I say it deliberately that they do not understand us. Sir, the Royal Commission on Agriculture came down to Madras and I sent an invitation to the Marquess of Linlithgow to visit my village. I said that if only they came in their special train to the nearest railway station, all of them should be my guests. I said I would provide them with motor cars, dinners, suppers, etc. I said all I wanted was that they should go to my villages in order to see their actual condition and that they should not rely on reports or appoint gentlemen who work and collect evidence only at headquarters, but never visit these villages. These men peep out of their saloons or carriages, and find plenty of grass growing, and believe that is to be crops. I gave them a challenge; I asked them to come knowing

full well that it would cost me about Rs. 5,000. I did not mind this for I should have done great service to my country if these people had come there and seen with their own eyes what the condition of the ryot was. I invited them to three places. Eight days later I received a nice and courteous letter from the Marquess of Linglithgow, signed by his Secretary in which he said: "We regret very much that our programme had already been fixed and we cannot afford the time to do it, but we are quite sure that the evidence produced by us is quite sufficient to give us all the information that we want." Sir, I have no time, otherwise I could repeat the names of witnesses who were called before this Commission. You will be surprised to know that not even three men were invited who were actually doing the work of agriculture. The people they examined were the arm-chair politicians who are always finding out what can and what cannot be done like the Potentate referred to by my Honourable friend, Dr. Ziauddin Ahmad, who, when he was told that there was famine raging in the country, said: "What, can't they even get *khichuri* for their meal?" Please do not appoint men of this sort. We want men who are interested in agriculture and whose daily work is in the fields, and not these politicians, because they cannot give you any information. We want men who understand agriculture and who can dovetail agricultural theories into economic theories and who can find out the cause of our economic depression. Do give us facilities to place all that we know before them, come to a conclusion and then determine what to do and, along with that, provide facilities through this Rural Credit Bank. I quite agree with my Honourable friend, Mr. Morgan, that it is a difficult subject.

Sir Cowasji Jehangir: Do you want another Royal Commission?

Raja Bahadur G. Krishnamachariar: For God's sake save me from Royal Commissions. I want a quiet inquiry by men who have no preconceived notions of these things and who understand these things. If they have got sufficient material, they can come to their conclusions. I do not want a Committee at all, but some sort of an inquiry if you have got the result in your hand in order to determine what is the cause of this economic depression. My friend, Sir Cowasji Jehangir, sitting in Bombay and having been born with a golden spoon in his mouth, does not understand our difficulties. But I am being ground down . . .

Sir Cowasji Jehangir: You are being ground down in a Rolls Royce car.

Raja Bahadur G. Krishnamachariar: But this car is lent by friends like yourself. Well, Sir, that is my argument. I do support my Honourable friend's amendment, but that alone would not suffice for our purpose. You must find out what is the cause of the depression. Sir, I have got a great suspicion about the raising of prices. No one is going to benefit by it. Of course, we may get a little more money in order to pay the land tax easily. But let me tell the House that the raising of the price is not by itself going to help us very much. All these remedies that are suggested do not touch the real question and I want that that real question should be investigated.

Hony. Captain Rao Bahadur Chaudhri Lal Chand (Nominated Non-Official): Sir, by the word "rural" I presume the Honourable the Mover

[Rao Bahadur Chaudhri Lal Chand.]

of the amendment means "agricultural" and that he does not mean to include money-lenders or village *sahucars* in his scheme.

Mr. B. Sitaramaraju: Certainly not.

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) resumed the Chair.]

Hony. Captain Rao Bahadur Chaudhri Lal Chand: As I belong to a community which is both rural and agricultural, I think I shall be failing in my duty if I were not to say a few words on this most important amendment. During the course of the last four weeks, so much sympathy has been expressed by Honourable Members from all parts of the House for the agriculturists that I think it my duty on behalf of this class, to express our gratitude for the attention Honourable Members have given to the poor agriculturist.

Sir, the object underlying this motion is a very laudable one. It has been pointed out more than once, that the agriculturist is in a very pitiable condition. The plight of the agriculturist was very lucidly described by my friend, Khan Bahadur Mian Abdul Aziz, the other day. The picture that he drew and the description that he gave is beyond improvement, but I wish to point out that he too was a little behind time in his description of the poverty and indebtedness of the zamindar. He pointed out that the zamindar or the agriculturist owed a debt of 900 crores. The inquiry, by which this figure was arrived at, was made about a couple of years ago and, as the agriculturist is paying 25 per cent. interest, the debt must have gone up to something like 1,500 crores, and we should not think of finding 900 crores only, but something more than that. He also pointed out that, in a sugar factory in my district, agriculturists had to part with their sugarcane at the handsome amount of four annas per maund last year. I think if he were to inquire about this year's figures he would find that they are getting even less than that this year. The picture can well be described by quoting the illustration of two brothers, one of whom has sugarcane crop and the other has not. The brother who has the sugarcane crop takes 28 maunds of sugarcane in his cart to the factory, and the other brother, who has no sugarcane crop, takes 28 maunds of dry fuel wood to sell in the same place. The brother who takes the sugarcane gets seven rupees only, while the other fellow gets Rs. 14. That is the value of our crop. (*Bhai Parma Nand:* "Which factory was that"?) It is the sugar factory at Sonepat. It has been leased out to a private firm on conditions perhaps well known to the Honourable Member.

With your permission, Sir, I will cite one more example to give an idea of their helplessness. There was a decree of Rs. 3,000 against an agriculturist. He owned 300 bighas of irrigated land. He was arrested and was brought to the Court. In execution of this decree, he was asked to show cause why he should not be sent to the civil jail. The statement that he made was very straightforward. He said "I have to pay this money. I have got 300 bighas of land, and leaving a small portion for myself and my family to live upon, I am prepared to give away the whole of it to the decreeholder on such terms as are allowed by the Land Alienation Act, that is for 20 years. I have got four houses, let me have

two houses, one for myself and the other for my cattle and give away two houses outright to the decreeholder". He had some buffaloes and cows, and he said: "Leave my bullocks alone to me and give everything else to the decreeholder". After he had made this statement, the decreeholder was asked to state whether he was going to accept his terms. The decreeholder said: "These were the very terms which he was offering in the village. I do not accept the offer. I want him to be sent to jail". The result was that a man of eighty years was sent to jail where he remained for a couple of months and then came out only to die after a week or so.

An Honourable Member: A man of eighty years will never be sent to jail.

Hon. Captain Rao Bahadur Chaudhri Lal Chand: It is on record and I can give my Honourable friend a certified copy. Sir, conditions are most deplorable. My Honourable friend asks for a rural credit scheme. Rural is alright, but what about credit? When a man is so much indebted, how can you say that he has any credit at all? When you approach the Honourable the Finance Member for such a man, he naturally, as a financier, will say: "I cannot provide for beggars or insolvents". Sir, there was a time when the Honourable the Finance Member could be approached for relief. Now, his condition is, as was described by a Persian poet:

"Chu ab az sar guzasht, cheh yak nezā cheh yak dust."

A man was in the mid-stream and water had gone over his head. It was said, when water had gone over his head, that it did not matter to him whether it was one foot or 100 feet over his head. He is gone. So, his condition is most deplorable and these remedies will not help him.

I am prepared to submit certain remedies and hope that the Government of India will be prepared to consider those remedies for the help of these poor agriculturists as was pointed out by the Honourable the Finance Member. I propose to lay certain definite schemes in March next if Government would consider them. Probably my Honourable friend, the Raja Bahadur, who calls himself an agriculturist and whose interests he has at heart, will not be frightened when I say that one of the remedies is the expropriation law, whereby the big zamindars should be deprived of their surplus holdings and the poor farmer of the Punjab or other places, who is wasting his labour on uneconomic holdings, should be given away the surplus land. There may be other methods. You may call it Bolshevism or anything you like, but the condition of the agriculturist is such, as was pointed out by Mr. Abdul Aziz the other day, that he should not pay his debt. What is the use of all these rural schemes on paper when the agriculturist has his debt going up everyday. We should not approach the Honourable the Finance Member for any relief to him. He cannot turn the poor into rich. The proper Department to be approached now under these conditions is the Home Department. The Honourable Sir Harry Haig should be asked to allow the suspension of the criminal laws for two days. I am not suggesting any scheme as was put forward by the Honourable Mr. James which would take five years. It will take only 48 hours, i.e., only two days' time. The Jat's lathi will disburden our millionaire friends of their surplus wealth, including the money which they have deposited in foreign Banks in the pious hope that, with the change of ratio, they will bring back the money to India with profit.

[Rao Bahadur Chaudhri Lal Chand.]

As regards the sympathy of the Honourable the Finance Member, we are grateful to him for the practical sympathy which he showed to one amendment. It was pointed out from this side that unless the Central Banks are put in direct contact with the Reserve Bank, it will be difficult for the ordinary villager to approach the Reserve Bank, and, as we have seen, the Honourable the Finance Member readily agreed and anybody can now approach the Reserve Bank through the District Central Banks. I do not know what is at the back of the mind of the Mover of this amendment, but he does not want that, in case of rural credit, the Reserve Bank should deal with individuals. If the Reserve Bank is to deal with registered societies only, then there is provision that the Reserve Bank will deal with district co-operative central banks and that will be helpful to the peasant. I do not say that the disease, that has been diagnosed, does not require any remedy further than this. I say, a very drastic remedy is required, but I do not think it is for a layman like the Honourable the Mover of the amendment to put forward a scheme in this Bill which will give relief to the agriculturist in this disease of his. He has pointed out to the Government the necessity of giving relief to the agriculturist, and he has put his case very ably and it is for Government now to find out ways and means unless they are prepared to face lawlessness. I hope my Honourable friend will not press his amendment further. He has done a real service to the country by drawing attention in this way.

Diwan Bahadur A. Ramaswami Mudaliar: Sir, I wish, if I can, to bring the attention of the House back to the real question at issue. I am afraid, during the last two hours we have discussed various things, but not the motion of my Honourable friend, Mr. Raju. We are all expressing sympathy on behalf of the agriculturist, and none more loudly or more eloquently than those who feel that they have some claim to speak on behalf of the agriculturist. If there is any doubt on the part of Honourable Members on the Treasury Benches, let me say that most of us, whatever our temporary avocations may be, are agriculturists. (Hear, hear.) I may be an advocate today, but everyone with whom I am connected socially and otherwise is an agriculturist. I go back to the village, all my relations are in the village, my home life is intimately associated with the village, my entire family existence is connected with agriculture. If any one were to arrogate to himself that, because he drives a pair of bullocks, he is an agriculturist and nobody else can be, I think it is a wrong claim. On behalf of the agriculturist so much sympathy has been shown, but the only two suggestions that have been put forward, one from the official side and the other from a doughty champion of agriculturists from the non-official side, are, first, that all debts should be repudiated and, secondly, that the criminal laws of the country should be suspended for forty-eight hours. I congratulate the Honourable the Finance Member on the official advice that was tendered to him yesterday and on the non-official advice that has been tendered to him today. I do not know how far he will be happy in dealing with these two suggestions, but I hope that, when he gets up, he will give his frank views on these two brilliant suggestions that have been made for the relief of the agriculturist at this critical juncture. I cannot command the imagination to soar to such giddy heights as my Honourable friend, Mr. Abdul Aziz, or my Honourable friend, Captain Lal Chand.

Sir, I said I would bring back the House to the amendment with which we have to deal. My Honourable friend, Mr. Raju, suggests that:

"The Bank shall at the earliest possible date and in any case within two years from the date on which this Act comes into force, establish a Rural Credit Department of the Bank."

I thought my friend, Mr. Morgan, threw some doubts on the wisdom of this step. If he refers to the Bill as placed before this House, he will see that the principle of this amendment has already been accepted by the Joint Select Committee and by the Honourable the Finance Member. Let me read clause 54 which deals with this question:

"The Bank shall, at the earliest practicable date and in any case within three years from the date on which this Chapter comes into force, make to the Governor General in Council a report, with proposals, if it thinks fit, for legislation, on the following matters, namely:

- (a) the extension of the provisions of this Act relating to scheduled banks to persons and firms, not being scheduled banks, engaged in British India in the business of banking, and
- (b) the establishment of a Rural Credit Department of the Bank etc."

I want to ask the Honourable the Finance Member and the other members of the Joint Select Committee, whether in the Bill they were inserting this clause as a mere pious hope, whether they did not contemplate at some date the establishment of a Rural Credit Department, or whether they were expressing their view that it may not be possible to have such a department at all. And, if so, if any member of the Joint Select Committee gets up and says that they were merely suggesting that there might be an examination and report and that they were not committed to anything further than that, I think it is a travesty of all proceedings relating to legislation to seriously put forward a clause like that. I cannot believe that any member of the Joint Select Committee would have committed himself to this clause unless he visualised that within a short period a Rural Credit Department will be an accomplished factor so far as the Reserve Bank is concerned. You cannot go behind that.

Mr. G. Morgan: It says, "or the creation of other machinery".

Diwan Bahadur A. Ramaswami Mudaliar: Yes, the creation of other machinery which will have the same objective in view.

Mr. G. Morgan: Yes, quite.

Diwan Bahadur A. Ramaswami Mudaliar: The Rural Credit Department can be correlated to any machinery. My Honourable friend, therefore, wisely did not press the detailed scheme that he had given notice of in another amendment. He has merely said that a Rural Credit Department should be established within two years after the coming into operation of this Reserve Bank. Whatever machinery you may suggest for the object in view, it can be correlated with the Rural Credit Department. The machinery that is there suggested is a machinery which will have something to do with the Reserve Bank; otherwise the Reserve Bank will not be called upon to report on that. Whatever machinery is suggested, whether you accept the phrase "Rural Credit Department" or whether you contemplate some other machinery, I take it that the

[Diwan Bahadur A. Ramaswami Mudaliar.]

members of the Joint Select Committee were thinking that that machinery or that department would be a part and parcel of the functions of the Reserve Bank. Therefore, Sir, whatever it may be, it is the Reserve Bank that has to set that machinery into operation, and, if it comes forward with proposals for legislation, this clause says, the Government of the day will be prepared to consider them. Now, my Honourable friend, by this amendment merely seeks to ensure that within two years, after the coming into operation of the Reserve Bank, this machinery will be set up and this Rural Credit Department will be opened. He has not tried to tie down the hands either of the Bank or of the Government of India to any particular manner in which this Department shall operate. He has not suggested what funds should be placed at the disposal of the Department; he has not suggested how those funds should be utilised. These are matters which from now on there will be three years' time for the Government to consider and at least two years for the Reserve Bank to consider; and within that period they can well come to an understanding on the subject. I frankly acknowledge that the creation of a Rural Credit Department like this with the functions that we have in view is a break from the traditional functions of Central Banks; there is no doubt about that. But conditions in each country require special application of the principles of the Reserve Bank; and I believe my friend was quite right in suggesting that in Australia, where conditions are very similar to those in India, they have established this Rural Credit Department and have made an innovation in the principles under which Central Banks work. My Honourable friend, Captain Lal Chand, was in some confusion over this idea of a Rural Credit Department. The essential idea of the work of this Rural Credit Department is to see that the indebtedness of the agriculturist, the landowner, the man on the land, is reduced somehow or other; that, at any rate, the oppressive character of the debt that he now bears will be relieved to some extent. Let me immediately state that I do not expect the Rural Credit Department to wipe out the 900 crores of debt or the 1,500 crores of debt which the agriculturists have. The resources at the disposal of the Rural Credit Department are bound to be very small; it may be three crores or it may be five crores at the most. I do not for a moment visualise that this Rural Credit Department can command sufficient credit, can command sufficient funds, to wipe out agricultural debt altogether. But that is not our position. In no country in the world where similar functions are taken up, either by the Rural Credit Department of the Reserve Bank or by special State Banks instituted for the purpose, is it the case of the authorities who organise these things that the entire burden will be wiped out. What happens is this. Loans and credit are based on competitive terms; and if the Rural Credit Department comes forward and with a well organised scheme tries to reduce indebtedness in some areas, the level of interest will immediately come down; and that is the important factor with reference to the working of the Rural Credit Department. We have not suggested that the Rural Credit Department can or will wipe away this whole debt, and I can show to my Honourable friend, the Finance Member, that in other countries, where similar organisations have been established, that is the function which has been satisfactorily carried out by this Department. I admit that there is no analogous provision except in Australia with reference to the Reserve Bank working out these functions through a

Rural Credit Department. But take the instance of the provincial mortgage institutions in Austria or similar banks in Italy or America or in some other countries. What has happened is that through a system of credit given by these mortgage banks the rate of interest all over the country has been reduced and it has, therefore, been, indirectly at any rate, helpful in reducing the indebtedness of the peasantry of the land. Sir, we want to correlate the activities of the Reserve Bank through the Rural Credit Department with the land mortgage banks that may be established in various provinces. It is true that, under the provisions of the Bill, the co-operative system has come into organic relation with the Reserve Bank, but the Reserve Bank can only deal with short term credit, so far as the co-operative system is concerned. With the land mortgage bank the terms will be different and the basis will be different.

My Honourable friend, Mr. Morgan, told us the story of how the co-operative credit system was an utter failure in Bengal. I wonder whether Bengal can produce anything successfully except Law Members of the Government of India. (Loud Laughter.) At any rate, their only successful industry is the production of very excellent Law Members for the Government of India: and I should like to take this opportunity of congratulating my friend, Sir Nripendra Nath Sircar, and the authorities, who have chosen him on the very excellent appointment which they have just now announced with reference to the future Law Membership of the Government of India. Sir, my Honourable friend, Mr. Morgan, suggested that the co-operative system in the Bengal Presidency was very defective. That is not our experience of co-operative systems in different parts of this country. I do not think that either in Madras or in Bombay or in the Punjab the same charge can be made as my friend, Mr. Morgan, chose to make about the co-operative system in Bengal. I do not know why it is, but, as I said, various departments have come under similar strictures so far as the Bengal Government is concerned. I think it was only a couple of years ago that the jail administration came in for a very large amount of criticism; but we should not be obsessed by the fact that in Bengal there are no proper co-operative societies or that there is no possibility of land mortgage banks. After all, this amendment does not compel the Reserve Bank to come into organic connection with every land mortgage bank in every Presidency. It will have some tests, it will have some consideration, as to the status of the land mortgage bank, its efficacy, the way in which it works and whether the Reserve Bank should come into contact with it or whether it should leave it alone. There is no provision making it compulsory for the Reserve Bank to come into correlation with a land mortgage bank or co-operative society whether it functions satisfactorily or not. As a matter of fact, we have asked the Reserve Bank to come into correlation with co-operative societies in an earlier portion of this Bill and that can only be done if the Bengal societies come up to a certain level of financial and administrative efficiency; and, therefore, there is no point in suggesting that in some provinces these do not function satisfactorily. I take it that the land mortgage banks will be asked by the Central Bank to apply certain definite principles with reference to the way in which they take mortgage on lands: I can well understand a land mortgage bank being asked to give credits on land mortgaged only on the basis, for instance, of amortisation; that is to say, that the interest merely should not be paid, but that, by a system of equated payments, the whole of the debt taken by the proprietor on the mortgaged land should be paid up in a period of years.

[Diwan Bahadur A. Ramaswami Mudaliar.]

That is how it has been done elsewhere, and if it is done, there will be a certain amount of liquefiable, if I might use the word, debentures or liquefiable assets in the hands of the land mortgage bank, which in its turn may come into correlation with the Reserve Bank finances. That is how I expect the scheme would work, but I am not here to develop these details; if time permitted and if we were discussing the actual scheme itself in connection with this Bill, we can do that and we can lay down certain principles with regard to the method according to which this Rural Credit Department can work. But I am not called upon to do that as I said; and I do venture to think that this is one of the important functions of the Central Bank, which alone can help the agriculturist and remove some amount of the burden of indebtedness which is now oppressing the agriculturist. What is it that he is now suffering from? Honourable Members with an intimate knowledge of agriculture have suggested various things; but the thing that he is most suffering from in these times of depreciated prices is the fact that the interest that he has to pay on his mortgage swallows up every little production that he can make out of the land. The prices have fallen down; there is not that margin between the prices that he can get for his products and his own comfortable existence, that he can pay out the interest. It is true that, for the time being, the moneylender is lying low: even that he is not doing if we can believe the story that has just been related by my Honourable friend, Mr. Lal Chand. Therefore, it seems to me that the only way of redeeming the agriculturist is by placing at his disposal some system of cheap credit; and I venture to think that, by the establishment of this Rural Credit Department, you would have taken some little step, though not the final step, to try and bring within his grasp this system of credit. Sir, I support the amendment.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 21st December, 1933.

LEGISLATIVE ASSEMBLY.

Thursday, 21st December, 1933.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

SHORT NOTICE QUESTION AND ANSWER.

PROGRESS OF THE INDO-JAPANESE NEGOTIATIONS.

Mr. President (The Honourable Sir Shanmukham Chetty): Short Notice question by Sir Cowasji Jehangir.

Sir Cowasji Jehangir: Sir, I beg to ask the following short notice question:

Are Government in a position to make a statement regarding the progress of the Indo-Japanese negotiations?

The Honourable Sir Joseph Bhoré: Sir, considerable progress has been made with the negotiations, and Government are hopeful that they will be brought to a satisfactory conclusion in the near future.

Nawab Major Malik Talib Mehdi Khan: Are Government aware that the cotton crop is now ready for marketing and that, if the negotiations fail, the position of cotton growers will be very difficult?

The Honourable Sir Joseph Bhoré: I can assure the Honourable Member that Government have not overlooked the desirability and the importance of safeguarding the interests of the cotton grower, and, should the negotiations unhappily break down, they will be prepared to deal with the situation. (Applause.)

MOTION FOR ADJOURNMENT.

ALLEGED PUNISHMENT OF A MAN FOR OFFERING HIS PRAYERS ON THE LAHORE RAILWAY STATION PLATFORM.

Mr. President (The Honourable Sir Shanmukham Chetty): Order, order. The Chair has received a notice from Maulvi Muhammad Shafee Daoodi that he proposes to ask for leave to make a motion for adjournment of the business of the House for the purpose of discussing a definite matter of urgent public importance as follows:

"The high-handed attitude of Mr. Wheeler, Assistant Rolling Stock Officer of Carriages at Lahore, North Western Railway, culminating in the punishment of a man for offering his prayers on the railway platform."

[Mr. President.]

The House has not got any information on this point at all as to when this occurred, how it is definite and how it is urgent, and the Chair would like the Honourable Member to say how this motion would be in order within the rules.

Maulvi Muhammad Shafee Daoodi (Tirhut Division: Muhammadan): Sir, we have got information from men in Lahore, and that information was also published in the vernacular daily papers of Lahore . . .

Mr. B. B. Puri (West Punjab: Non-Muhammadan): What is the date?

Maulvi Muhammad Shafee Daoodi: One is the *Siyasat* and the other is the *Inquilab*. Both these are important vernacular papers of Lahore.

Mr. President (The Honourable Sir Shanmukham Chetty): What is the date?

Maulvi Muhammad Shafee Daoodi: The information was published on the 30th of *Shaban*, which was on Monday last, and this came to me yesterday in the morning, and then and there I thought I must take some action in the matter, and so I have made this motion. The news says that this gentleman, Mr. Wheeler, had been doing many other things, to which objection had been taken by public men as well as by the Press. Recently he punished a *bhisti* who was cleaning the carriages for saying his prayers on the platform. This Mr. Wheeler also warned the officer under whom this *bhisti* is working. This happened, as the papers say, only a few days ago. The date is not mentioned in this at all. This is a fact, and that is why I have brought this motion today.

The Honourable Sir Brojendra Mitter (Law Member): Sir, I object to this notice on the ground of indefiniteness. The notice refers to "the high-handed attitude of Mr. Wheeler", not any act of Mr. Wheeler, but his attitude. Sir, I would remind you of what a learned Chief Justice of England once said: "the devil himself knoweth not the mind of man". How are we to discuss the attitude of a Mr. Wheeler or anybody else? If it were any definite act, I could understand it.

The next thing is the punishment of "a man". Who that man is we do not know. How are we to answer any adjournment motion without knowing which man was punished.

The third objection relates to the punishment. We do not know whether the punishment was awarded by a competent magistrate or by whom, or whether the order of punishment is under appeal or not. Somebody was punished by somebody, and we are to discuss it.

Then, fourthly, we do not know when this thing occurred. Even now, Maulvi Shafee Daoodi cannot tell us when this incident happened. He said that it was published in some Lahore newspapers on Monday last, but we are not interested so much in the date of the publication as in the date of the incident. Whether it is an urgent matter or not, we cannot say. On these grounds, Sir, I oppose this motion.

Sir Gowasji Jehangir (Bombay City: Non-Muhammadan Urban): Mr. President, I understand from my friend who has made this motion that

the allegation is a definite one, of having prevented a Government servant from saying his prayers. That is a definite allegation. Now, as to the date, I understand from my friend that he has brought the matter to the notice of this House as soon as he was made aware of it. However, if the Honourable the Railway Member will undertake to investigate this matter and do justice and act equitably in the matter, my friend will not press for this adjournment motion at all.

The Honourable Sir Joseph Bhore (Member for Commerce and Railways): I shall be most happy to give my friend and the House the assurance that I shall go into this matter at the earliest possible opportunity and have a full investigation made if my friend will communicate to me the actual details of the incident.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): I should like to say a few words on the question of objection raised by the Leader of the House that the matter is not definite.

Mr. President (The Honourable Sir Shanmukham Chetty): Order, order. The Chair must first know from the Honourable Member who has moved this motion what he has to say in view of what the Honourable the Commerce Member has said.

Maulvi Muhammad Shafee Daoodi: If investigation will be made and the man will be properly dealt with, I shall be quite satisfied. I don't want to press this motion if a definite promise is made that an investigation will be made by the Honourable Member and the man will be dealt with.

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member must make up his mind in the terms of what the Honourable the Commerce Member has said.

Maulvi Muhammad Shafee Daoodi: Sir, in view of the assurance given by the Honourable the Railway Member, I do not press my motion.

THE RESERVE BANK OF INDIA BILL.

Mr. President (The Honourable Sir Shanmukham Chetty): The House will now resume consideration of the following amendment moved by Mr. Sitaramaraju:

"That after clause 53 of the Bill, the following new clause be inserted and the existing clause 54 be re-numbered as 54A:

'54. The Bank shall at the earliest possible date and in any case within two years from the date on which this Chapter comes into force, establish a Rural Credit Department of the Bank as a distinct department of the Bank, on such terms and conditions regarding the financing and the method of working of the Department as the Bank and the Governor General in Council may agree upon'."

Khan Bahadur H. M. Wilayatullah (Central Provinces: Muhammadan): Sir, I wish to make it perfectly clear that the question of rural uplift has my fullest sympathy, and though I do not see my way to support this

[Khan Bahadur H. M. Wilayatullah.]

amendment in its present form for reasons which I shall state later on. I wish to say clearly, to remove all chances of misunderstanding, that I am as sorry as anybody else in this House over the over-indebtedness of our poor peasantry. No Government of any country, and particularly the Government of this country which is essentially an agricultural one, can afford to overlook the welfare of their peasantry in their own interest. Our greatest concern should always be the uplift of the rural masses and the relief of their distress. In fact, the strength of every country is the development of a strong and prosperous peasantry. In their well-being lies the welfare of the country. This reminds me of the famous lines of Goldsmith:

"But a bold peasantry, their country's pride,
When once destroyed, can never be supplied."

Unfortunately rural indebtedness has assumed alarming proportions, the total figure is given somewhere in the neighbourhood of about Rs. 900 crores. The causes leading to this state of affairs are many. In the first place, our tenantry is extremely ignorant; they are improvident, they have yet to learn thrifty habits, and are often extravagant,—thanks to the tyranny of the customs they live under. If the tenant requires money for agricultural needs or purposes such as marriage, funeral, etc., he does not mind agreeing to any terms that might be imposed by his creditors without the least consideration as to whether he would be able to pay back the loan with its interest within a reasonable time. There are also other contributory causes, such as lean years, famine, flood, frost, drought and rust which serve as a set back to him for many years whenever they happen. Epidemics break out amongst his cattle, and there is always some kind of cattle disease present in his village or in its neighbourhood. All these causes contribute to increase his indebtedness. His ability to resist vicissitudes has always been very feeble, and, under the present world-wide depression culminating in the low prices of agricultural produce he finds it very difficult to meet his liabilities so far as the Government and his creditors are concerned. His expenses are rising, his family is growing and his receipts have been going down, and it need not be wondered at that his indebtedness has assumed such a large figure. Government have made and are making efforts to reduce the indebtedness.

Speaking for my own province, the Central Provinces, where I spent 32 years in service, and was in close contact with the agriculturists as a revenue officer. I had several occasions to undertake works in order to find some relief for the agriculturists in their indebtedness. In the Saugor district, in the year 1898-99, the tenants of Khurai Tahsil were found in a most wretched condition. There had been a succession of bad crops and terrible famines. The land was passing out of cultivation; there were no plough cattle, there was no seed to be found either. The problem was a very difficult one. Government had to spend lakhs and lakhs of rupees over famine relief, but prospects were gloomy. A system of debt conciliation was started, in which some revenue officers including myself took part. We went from village to village and enquired into the case of every tenant to ascertain as to what his debts were, and what his capacity was to pay them back. We had to fix what portion of the debt each tenant could be expected to repay within a reasonable time. His creditors, who were also present at the inquiries, were then asked

either to advance a fresh loan to enable the tenant to buy plough bullocks and seed, or to agree to the remission of that portion of the debt which the tenant was obviously unable to pay. There were some unwilling creditors in the beginning, but a majority of them soon saw that the proposition was a reasonable one and also for their own benefit and so they agreed. The result was that lakhs and lakhs of rupees were remitted by the creditors, and, in addition, Government distributed large sums of money in the shape of *takavi*, knowing full well that they would not be able to recover the whole of the amount,—perhaps a great deal of it was remitted afterwards. The same measures were adopted in the Betul district in 1903-04. There were debt conciliation proceedings and tenants including *malguzars* and large landholders were given a fresh start of life. In the Betul District, it was found that there were huge arrears of *takavi* outstanding from these tenants. These were also overhauled. I made these inquiries in the Betul tahsil, and, on my recommendation to the Government, only perhaps one-tenth of the whole amount was retained, and that also was made payable by instalments, and the remainder of it was remitted by the Government entirely. Thus, Government have done and are doing whatever is possible to give relief to the poor tenants and efforts have also been made to reduce their debts. Even now, in many districts cases of sale of land are transferred from the civil courts to the Collector and the Collector tries to save as much land as possible for the tenants. In the Saugor district, there was also abatement of settlement when I was on duty there. Thus, Government have been doing a great deal, but what is the result in the end today? After the lapse of some years, although the debts were wiped off, we find that our tenantry is again in the same helpless condition, perhaps worse. There is no restriction upon them to incur fresh liabilities, and they are able to borrow money as soon as there is prospect of repayment, and their local money-lenders impose their own terms on them and advance any amount of money they want.

Mr. Muhammad Azhar Ali (Lucknow and Fyzabad Divisions: Muhammadan Rural): Remissions of debts due to the creditors or to the Government or co-operative banks?

Khan Bahadur H. M. Wilayatullah: The debts due to creditors were written off. Supposing a man had to pay Rs. 5,000, and it was found after enquiry that he could not pay more than Rs. 500, and even that amount only in the course of five or ten years, all the surplus debt was written off. It was given up willingly by the creditors who got fresh documents executed for the portion of the amount the tenants could pay, and thus a fresh start of life was given to the tenants. That is what I meant. Government also remitted their demand, and advanced easy loans for agricultural needs and improvement of lands.

Sir, Government have founded co-operative banks and co-operative societies. They are also taking steps for the consolidation of holdings which lie scattered. This is being done in parts of the Chattisgarh division. But after all these efforts in the two districts of Saugor and Betul, the tenantry today is in much the same condition.

Sir, turning now to the amendment, my Honourable friend proposes that, after the lapse of two years of its existence, the Reserve Bank should undertake this gigantic task of grappling with rural indebtedness, and

[Khan Bahadur H. M. Wilayatullah.]

should apply its funds for financing the ryots for all their legitimate agricultural needs. The problem of rural indebtedness is the greatest problem which our country will one day be called upon to solve. It cannot be dealt with so casually by an amendment of the clauses of the Reserve Bank Bill. It would need the best brains and the best efforts that our country is in possession of, and I am afraid that to ask the Reserve Bank to undertake this enormous task of financing rural credit is to invite disaster. The Reserve Bank will have more than enough to do in connection with the currency and we all will have reason to be grateful to it if it is able to provide us with sound currency and a stable financial position. Such a Bank cannot be expected to link its fortunes with a bankrupt tenantry. The result of such a scheme will be nothing but disaster. There are practical difficulties in the way. We have no conception of how the Bank will proceed against indebtedness. It can only finance co-operative banks, and, for this purpose, the co-operative banks should first be improved and reinforced, so that they can be connected with the Reserve Bank. At the present time, some of the co-operative banks in the Central Provinces are finding themselves in very low water. Some of the loans have turned out to be bad debts. They have had to fight tedious and expensive suits to recover their dues, and in a very large number of cases they found that the land which was mortgaged to the co-operative societies was also subsequently mortgaged to others and was so encumbered that it was beyond all hope of redemption. If it is put to auction, there are no bidders. The banks are unable to cultivate these lands and, if they take possession of them, they are still liable to Government for land revenue and rents. It is not always possible to recover the loans from the moveables and when the agricultural implements, cattle, house, seed, personal clothing, utensils and *stridhan* are excluded, there is nothing left from which the loans can be recovered. Thus, the co-operative banks are in a very bad way, not because of want of funds or of any short-sighted policy on their part, but they have found that the tenantry is so wretched and the load of debts so great that they are powerless and there is nothing to recover from. I am not an alarmist. I do not believe in the repudiation of liabilities. I have often felt like my friend, Khan Bahadur Mian Abdul Aziz, who said the other day that the only solution, if it can at all be called a solution, was repudiation. My meaning is well illustrated by a line of Ghazalib:

"Dard ká had se guzerná hai dawá hujáná."

which means "when the pain is too great and goes beyond a certain limit, it becomes its own remedy". The question of debts will solve itself when the debtors will have nothing to pay. It is for these reasons that I oppose the amendment in its present form. The proposed amendment will jeopardise the sound working of the Reserve Bank and the very existence of the Reserve Bank will be in great peril. It will weaken Indian credit in the money market, and if there is lack of confidence in the currency of the country, trade, commerce and industry will all suffer. Relieve the peasantry by all means by improving and reinforcing the co-operative banks and taking any other course that may be possible, but I feel that it will be a dangerous experiment if we link the Reserve Bank directly with rural indebtedness. That will be for the benefit neither of the country nor of the Reserve Bank. For all these reasons, I oppose the amendment, with

the qualification that something should be done for rural indebtedness, and, the sooner this question is taken up, the better it would be.

Mr. P. G. Reddi (*Guntur cum Nellore: Non-Muhammadan Rural*): Sir, I rise to say a few words in support of the amendment of my friend, Mr. Raju. If I intervene in this debate at this stage, it is not merely to add to the mass of debate, but to show the depth of feeling we, on this side of the House, possess on this matter. Coming as I do from a rural constituency, I claim to have some first-hand knowledge of the needs and difficulties of the rural population and the ryots of the Madras Presidency.

In my Presidency, both the ryotwari and zamindari systems prevail. But the woes of the cultivator are common. His poverty is proverbial and his miseries are too numerous to be told. He is groaning under the weight of taxes, and the low prices of agricultural produce have driven him to utter despair. The majority of them are sunk into debts, heavy or otherwise. Under these circumstances, I need not emphasise that the greatest need of the hour is finance on a low rate of interest coupled with easy terms of repayment.

It is urged in some quarters that the ryots are imprudent, and facile credit is likely to do them more harm than good. May I remind Honourable Members who hold this view that the very foundation of the co-operative movement is thrift and rigid economy? May I also remind them that the greatest care is taken to see that loans are used for the very purposes for which they are given? The Department is scrupulously enforcing this rule. Are they not also urging incessantly for the flow of loans for productive purposes?

Another objection raised is that, by the land mortgage schemes the money-lender alone will be benefited and that the ryot continues to be still in debts. Such cases are exceptional. They occur where either the loan advanced is itself imprudent or the ryot grows imprudent or vicious. But I do not contend for a moment that the land mortgage bank will help all agriculturist debtors out of their debts. It is also true that there are many pitfalls. But after the experience the country and the Department have gained during the past 20 years, I am certain that we can steer clear of such difficulties. The department has never lost sight of the Egyptian experiment.

There is also one another objection. It may be argued that it would be unwise to advance crores of rupees without proper safety. I may assure the Honourable the Finance Member that the security on which the loans are advanced is always safe. In many cases loans are covered by first mortgages of real property. It is also important to note that the whole structure is under the direct supervision of the officers of the co-operative department which has now considerably developed and contains many trained and efficient officers.

The amendment under consideration has two special features that commend it to the acceptance of this House. In the first place, it avoids hasty action. Government will get sufficient time to give shape and size to this Rural Credit Department and that too fully according to their discretion. In the second place, it does not tend to hamper the work of the Reserve Bank in any way. The main object is to link the Rural Credit Department with the biggest and the soundest financial institution of this country so that its strength and efficiency may increase. If such a step is taken, the Reserve Bank will really become a national institution

[Mr. P. G. Reddy.]

embracing the destinies, and, consequently, the confidence, of the entire population of this vast Indian Empire.

Sardar Sant Singh (West Punjab: Sikh): Sir, I rise to support this amendment. It is admitted on all hands that the agriculturist is in a bad condition today. The agriculturist is pursuing his profession today, not because it pays, or is a business proposition, but because he cannot go anywhere else and he must manage to exist as best as he can. Government are not unaware that history records many instances where bloody revolutions have resulted due to agrarian distress when carried to the point of desperation. We have to guard against such conditions developing in India at the present moment. If any evidence was needed to prove the existence of some such conditions, the evidence has been forthcoming on the floor of this House from a responsible official in my Province—I mean Khan Bahadur Mian Abdul Aziz, who has openly declared that the agriculturist must repudiate his debts if he wants to get out of his distress. Another piece of evidence has come from another nominated Member from the Punjab. He was lately a responsible Minister in the Province and he has very eloquently appealed to the Honourable the Home Member for the suspension not of the *Habeas Corpus* Act, but of the criminal law of the land. He wants that a Jat's *lathi* should take the place of a cheque on the Bank. He wants that these streets of Delhi, which are familiar with the wholesale massacres of the past, should once more witness the same conditions prevailing here.

Raja Bahadur G. Krishnamachariar (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): Start with the Assembly.

Sardar Sant Singh: Yes, probably a Jat's *lathi* here too may be more effective than the peaceful arguments of the Raja Bahadur advanced in such a sweet conversational style from his place in the Assembly. However, this is a piece of evidence which should not be ignored. If such counsels of desperation are made even on the floor of this House where we are expected to be responsible for what we say, I think the time has come when the Government should take stock of the situation and provide remedies for the same. There is no doubt, Sir, that the principle of the scheme of a Rural Credit Department is admitted in the Bill itself, but what the Government want is a report from the Central Board of the Bank after it is set up, and the Government admit that, within three years, such a report should come. Well, what we on this side of the House are afraid of is the fact that such reports are already in existence in plenty. There is the report of the Royal Commission on Agriculture, there is the report of the Banking Inquiry Committee in the minority portion of which much stress has been laid upon this indebtedness of the agriculturist. The position is this. If the mere making of a report can help the agriculturist, he would have been helped much by this time, but the mere production of a report is not what goes to relieve the distress that prevails in the countryside of every province. Therefore, what we want is to commit the Government to a definite period during which that report is to be acted upon and is to take practical shape so that help may be rendered to the agriculturist in his own home. What the amendment proposes is that the matter should not be left to report-making alone.

but that something practical should be done to help the agriculturist. Sir, I am quite conscious of the fact that the mere cheapening of credit would not help the agriculturist. Other steps must be taken by which this indebtedness may be removed. One cannot imagine that three crores or five crores of rupees would help to remove about one thousand crores of rupees of agricultural indebtedness, but the very provision of the setting up of a Rural Credit Department will have its own moral effect upon the money market in which the agriculturist transacts business, and it will go to reduce the rate of interest, and it may help the agriculturist to introduce reforms in his own manner of living, and so on. A method may be devised by which the debt may be realised slowly so that, after the lapse of a certain number of years, the debt may be entirely washed off.

Captain Sher Muhammad Khan Gakhar (Nominated Non-Official): Stop the interest too.

Sardar Sant Singh: My Honourable and gallant friend, who probably is a debtor himself, wants to stop the interest, but how long will the stoppage of interest help him? Can there be any guarantee that if the principal is wiped off and the interest is stopped, he will not borrow again? There can be no such thing. The mere repudiation of debt and the mere stoppage of the interest would not help anybody. Human nature being what it is, the borrower will borrow again if borrowing becomes necessary, but if we can inculcate the habit of thrift and the habit of saving by legislation, I think it will help the agriculturist much better than the mere stopping of interest or the mere repudiation of debt. (Hear, hear.) On the contrary, as my friend, Mr. Puri, observed, this might encourage them to borrow recklessly and unnecessarily if such facilities were granted. Therefore, I would urge the Government to adopt certain measures by legislation by which the indebtedness of the peasantry will be done away with. With these words, I support the amendment.

Dr. F. X. DeSouza (Nominated Non-Official): Mr. President, I am in entire agreement with my Honourable friend, Mr. Judhav, when he said that cheap credit has not always been an unmixed blessing to the ryot. On the contrary, it was when cheap credit was made available to him that his miseries began. Honourable Members are aware that, when under the ryotwari settlement the ryot's holdings became heritable and transferable, a security was furnished upon which the money-lender could advance him loans from time to time, and it is these loans which have accumulated in course of time and soared to astronomical figures, according to one authority to as high as Rs. 900 crores and, according to another authority, to as high as Rs. 1,500 crores. Now, with regard to this question of general rural indebtedness, so acute an observer with first-hand knowledge as my Honourable friend, Khan Bahadur Mian Abdul Aziz, has come to the conclusion that, notwithstanding the depression, the ryot goes on in the even tenour of his ways, and that his poverty and his misery are neither more nor less than before, but that the person really hard hit by the depression is the money-lender who does not receive either the instalment of his loan or his interest. To the same conclusion came the Honourable the Finance Member who, after examination of a large number of budgets of ryots in several Punjab villages, found that the person who was really hard hit by the depression was the village money-lender. In fact, it would seem from this evidence that, so far as the village ryot is concerned, Banks may come and ratios may change, but his poverty and misery go on for ever.

[Dr. F. X. DeSouza.]

If that is so and if the credit facilities are extended to the ryot in the way proposed by the present amendment, who will benefit? Would it not be rather a relief to the money-lender who will be able to get back an instalment of his loan with the interest, and not to the ryot? I, therefore, ask that, before credit facilities are extended to the ryot, this aspect of the question should be seriously considered.

I venture to say that, at the present moment, what the ryot wants is not facilities for cheap credit as control over the manner in which he uses his credit when he gets it. In one of his most brilliant generalizations, Sir Henry Maine has observed that the progress of society from ancient times to modern times is the progress from status to contract. Today, I venture to think, the progress is the other way about, it is from contract to status. For, if you observe the growth of the Fascist State in Italy, the Communist State in Russia or the condition in the United States of America, where, under the iron hand of President Roosevelt, you see a system of economy being elaborated in which wages are raised by the will of the State, hours are shortened at the will of the State and quotas are prescribed at the will of the State. You notice that there is no longer freedom of contract in the economic field. I venture to think that a similar change is necessary in the economy of this country. We want a change from contract to status. If I have learnt anything from my experience of many years on the Bench, it is this that the position of the ryot in the villages has been completely altered for the worse by the enforcement of the British Law of Contract and the British Code of Civil Procedure (*Raja Bahadur G. Krishnamachariar*: "And the Evidence Act.") and, the Evidence Act. Sir, the Indian Contract Act based as it is on the English law of contract, contemplates a state of society in which one man deals with another at an arm's length. The Code of Civil Procedure contemplates a state of society in which the decree holder and the judgment debtor are equally on the alert. But when these two systems are introduced in a country where the money-lender, for example, is always in a position to dominate the will of the borrower and where the judgment debtor is regardless of what happens to him, is it surprising that the ryot groaning under the accumulating load of debt sees little or no prospect of ever being able to wipe off his debt?

In an extremely thoughtful article contributed by the Marquess of Lothian to the current number of the *Contemporary Review*, he suggests that, when things have come to the pass, there are only two alternatives open to the Government. Those two alternatives are, either full-blooded communism or capitalism tempered by democratic control. It is true that two responsible Members of this House, one a high official of the Government of the Punjab having an important Division under his charge, and another an ex-Minister, have frankly advocated communism. They have frankly advocated the repudiation, pure and simple, of all agricultural debts. The ex-Minister has gone further, he advocated a reign of terror free from the restraints of the criminal law, under which, by means of a *lathi* charge, the Jath debtor will be able to relieve the money-lender of his surplus wealth.

Hony. Captain Rao Bahadur Chaudhri Lal Chand (Nominated Non-Official): What I meant to say was that, under the present system, the rich were growing richer and the poor were becoming poorer, and, therefore,

some ways and means should be devised to disburden them of their surplus wealth.

Dr. F. X. DeSouza: Sir, in all probability, it is the proximity of the Punjab to the Soviet countries that has induced this frame of mind in these two gentlemen and we must be thankful that we in the South, so far at least, are free from this infection.

Sir, I for one believe that the latter alternative propounded by the Marquess of Lothian that capitalism tempered by democratic control is the better one. Now, Sir, land, after all, is the basis of all economic activity and, if it cannot be nationalised, as it would be in a purely socialistic scheme, it should be nationally managed.

Mr. President (The Honourable Sir Shanmukham Chetty): Order, order: The time has now come when the Chair must intervene and stop any discussion on the proposals for a general economic revolution or reform. Honourable Members must now confine themselves to the creation of a Rural Credit Department in the Reserve Bank.

Dr. F. X. DeSouza: Sir, I shall not pursue any observations on this aspect of the case any further. All that I would like to say is that mere extension of facilities for obtaining credit given to the ryot will in no way advance the cause of rural uplift. The disease is desperate, it can be cured only by desperate remedies. Agriculturists should start with a clean slate by their debts being settled by Debt Settlement Tribunals; attempts will have to be made to prevent fragmentation of holdings by recasting the Hindu law of inheritance; and agriculture will have to be planned on the lines of a five year plan.

It is by these heroic remedies that prosperity can be restored to the country side and not, as my Honourable friend, the Raja Bahadur, said, by peripatetic lectures on the use of fresh air and pure water and good milk supply, nor by committee of enquiry consisting of arm-chair politicians or economists touring the country, as is now contemplated. With these words, I oppose the amendment.

Mr. M. Maswood Ahmad (Patna and Chota Nagpur *cum* Orissa: Muhammadan): Sir, I whole-heartedly support the amendment moved by my Honourable friend, Mr. Raju. There cannot be two opinions that agriculturists require some help, and that help, which they require, should be afforded to them in the right manner. Even my Honourable friends, Mr. Abdul Aziz and Mr. Wilayatullah, have not said that they do not require help. The agriculturists are in need of help and, I think, even the Treasury Benches, including the Honourable the Finance Member, cannot deny that. The question is how to help them. The only question is, whether we can help them by the repudiation of debts or by remission of revenue or the amount which they pay to the landlords. No, Sir, these means will not be of any help to them. As to repudiation of debts, I can safely say that Islam as well does not allow any repudiation of debt at all. In Islam, it is binding that, even if a man is dead, his friends or relatives should pay the debt and then bury the dead body. There are many cases about this in Islam. Even our Prophet once raised some money to pay the debt of a dead body. Islam never allows any repudiation of debt. Apart from this, this debt is a kind of contract, and if we

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are not going to respect our contract, I cannot say what contracts we can respect. If this system of repudiation of debt will go on, it will ruin the whole system of contract in India and no one will respect the contract of another.

The other question is about rent. I think this is not also of any use to the tenant, because, in my opinion, the tenants are not in trouble on account of the fact that they pay a certain amount of rent to the landlords; nor the landlords are in trouble, because they pay rent to the Government. The real cause of this trouble is the indebtedness and the high rate of interest.

Then, comes the question of how to solve them. The Provincial Governments are making attempts in enacting certain Acts. I have seen the Bill under discussion in the U. P. Council. I think these measures will not in any way help the tenants. The real source of help will be if money is available to these agriculturists at a cheap rate of interest. Then the rate of interest on the whole of India will come down. Unless money is available, these agriculturists will have no alternative but to take loan at high rate of interest from money-lenders. The only course for helping them is that we should try to decrease the rate of interest, and we can do that by having this Rural Credit Department of the Reserve Bank. This is a measure which really affects all of us, this is a measure which will help the landlord and the tenant alike. I do not think the Government want to ignore the interests of the agriculturists.

Now, the question of precedents comes. My Honourable friend, Mr. Raju, pointed out the other day that in other countries some such departments were actually in existence. When these departments have worked successfully in other countries, I cannot understand why this department cannot work here in India. Really I want to know from the Honourable the Finance Member, when he is going to reply, that when the system has worked satisfactory in other countries, he must give a trial at least to this system and he must accept this amendment, an innocent amendment, moved by Mr. Raju. It does not make the whole Bill absurd, rather it improves the Bill materially. This is a measure which is required by the agriculturists of this country. Sir, with these words, I support the amendment.

The Honourable Sir George Schuster (Finance Member): Sir, we have had, what I regard as, an extremely interesting discussion on this amendment. The House is perhaps not very well attended, but I must say that to one, who has listened carefully to all the speeches, there has been matter of great interest throughout and I feel that we have got rather closer to realities in this discussion than we usually get. We had very interesting speeches from the Raja Bahadur, from Mr. Jadhav and from my Honourable and gallant friend, Captain Lal Chand, yesterday, and today we have again had extremely interesting speeches and although my Honourable friend, Dr. DeSouza, was held up by you, Sir, for going rather too wide in his philosophical examination of the position, still I feel sure that even you would have admitted that, if time was available, what he was dealing with was really the necessary setting to the consideration of this problem. But I must try and get back to the question of practical measures.

It seems to me that this question of rural credit raises a great number of complicated issues, and it is perhaps unfortunate that an omnibus

phrase of that kind has got to be used, for it covers such a variety of different problems. It seems to me that we have to keep our minds clear and to distinguish the various aspects of the problem. For instance, we must distinguish between the necessity for, and the type of measures that are required for, dealing with accumulations of past indebtedness. That is one question which may, for reasons which I shall deal with later, perhaps be becoming a particularly acute problem now; but we must distinguish that from provisions for establishing a credit machinery which will work in the future. Those are two distinct aspects of the problem. Then, again, we must make a distinction between machinery for providing long-term credit and the machinery for providing short-term credit. That has an important bearing on this whole question, because no one would suggest that this Reserve Bank, even if it were to intervene in the rural credit business, should tie up its funds in giving long-term loans. For that it would be necessary to create a separate machinery,—land mortgage banks possibly, which may in the present circumstances possibly be particularly necessary. Then, again, I think we must draw a marked distinction between the needs of the poorer cultivators and the needs of the large cultivators, the larger Zamindars and the landlords. We have had speeches dealing with all these points, but we have to consider the machinery that is to be set up, I think we must keep our minds clear as to what the needs are and what is the proper machinery for dealing with these things. Now, Sir, I want to make it quite clear that the Reserve Bank cannot possibly deal itself directly with all these needs. We all hope that the Reserve Bank will perform an important function in the country. But let us not exaggerate the importance of the function which it can perform. It is there to provide proper co-ordination, control, and support by means of reserves, for the general banking system of the country. It is not intended to go out itself and to usurp the functions of the banks or other organisations which are dealing direct with individuals for credit. It is there, rather to stand behind them, to co-ordinate them and support them.

Now, Sir, having said something as to the actual problem, I want to say a few things about what can be achieved through credit machinery. What I have to say has already been said by other speakers in various ways. What I think it is essential for us to realise if we are aiming at improving the lot of the agriculturist, and particularly the poorer agriculturist, is that it is no use lightening the load of existing indebtedness or providing better facilities for cheap credit in the future unless you put the cultivator into a position of being able to take advantage of that improvement in his conditions. And that means a great many things outside credit machinery. That means teaching him better methods of agriculture, providing him with better economic outlets and inculcating in him habits of thrift. Now, Sir, I am afraid I cannot agree with my Honourable friend, Sardar Sant Singh, that you can inculcate habits of thrift by legislation. I do not want to stray too wide in my review of the situation, but this is such an interesting problem that it is hard not to speak at length on it or make a broad review. For it does seem to me to be a matter of great interest to study how the agricultural populations of the world work in various countries. I feel that at any rate in parts of India at present with their present standards of education and their present traditions, there are large parts of the rural population of India which, whatever you may do for them, will somehow or other reduce themselves to a position of working for a bare margin of

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subsistence. If their conditions improve, they do, of course, to some extent improve their standard of life, but equally they take advantage of their improved conditions to mortgage their credit for the future, and then they are left very much as they were before. There are very interesting studies of that whole subject in a most valuable book, that book by Mr. Darling on "The Punjab Peasant in Prosperity and in Poverty"; and it is extremely interesting to read from that that in the canal colonies, for example, where the most has been done for the people and the improvement of their conditions has been most striking, after the first few years of enjoyed prosperity, they do seem to get into debt again, and that, in other parts of the Punjab where conditions are harder and the people have perhaps more tenacity of character, they continue their struggle for existence under much greater difficulties and yet without getting into debt. A great deal depends on the character of the people. There are in various countries peasantry, let us say in Belgium or Scotland or in Denmark, where the people have strong habits of thrift, where they will work for 12 hours a day, acquire no luxurious habits and really save and improve their position. It is countries like that where good credit facilities are able to effect most. I have watched the position also in Africa and there, I must say, I came to the conclusion,—a conclusion not unlike that which was reached by an official in Madras who was quoted with great criticism by my Honourable friend, the Raja Bahadur,—I did come to the conclusion that, if you left to the man who was working on the land more than a bare margin of subsistence, he simply sat back and employed some one else to do the work, and that the man who was actually left working on the land was still working on a bare margin of subsistence; and that it, therefore, was not entirely wrong or hard-hearted to say that it was quite a good thing for Government to take a considerable revenue from a particular area and use the money which they took for the general improvement of the country, for expenditure on education and that sort of thing. However, Sir, I am afraid that I am falling into the error for which you pulled up Dr. DeSouza and I must not enlarge on that subject any further. I only want to say this—that if our object is to improve the condition of the agriculturist, then that means a complete revolution in the countryside, better education, better marketing methods, better methods of agriculture and the acquisition of habits of thrift, which are all extremely desirable and for which we all ought to be working and every Government authority ought to be working, but which are far beyond the scope of anything which the Reserve Bank can do. Now, Sir, that does not mean to say that there are not things which ought to be done by the Reserve Bank, and I do not say that we cannot do something in setting up this Reserve Bank to help a general development which will be of advantage to the country. There are many, of course, who think that the most hopeful method of achieving the general results, which we all have in view, is the full development of the co-operative movement; and on that I would just like to quote something which was said by one of the outside experts who came and visited India before the banking inquiry. There were two of them who examined particularly the co-operative position and, in a private note, which one of them left for me, there was a passage which has always struck me. He says:

"We were profoundly impressed by the character of the cultivators whom we met. No country possesses better material on which to build a great civilisation. But we were also profoundly impressed by what there is still to be done to improve their

economic position and by the extent of the failure of the co-operative movement in that direction in spite of good work that has been done by co-operators. That failure in our view has been due to failure to realise that credit organisations alone can never provide an effective remedy for the indebtedness of the cultivator. His position can only be improved if the full force of the co-operative movement is brought to bear on him at every point in the sphere of education, of better living, of better farming and of marketing. There will be no limit to the results which can be achieved if the same enthusiasm is shown in promoting development in these ways as has been shown at any rate in developing the growth of the credit movement."

That supports what I was saying, and again I must remark that so far as the Reserve Bank is concerned that can only take a part in connection with the co-operative credit movement. What I have been saying refers rather to measures designed to improve the conditions in the future, measures which will be necessary in India, quite apart from the crisis which is now upon us. I think the crisis itself may be creating conditions which require special treatment. We have already had it pointed out on many occasions in several speeches, and I myself made the point, that there is no doubt that, at present, speaking generally, the money-lender throughout India is recovering nothing in the way of interest on loans to small cultivators; and, of course, there is another class suffering at present which I did not mention—the class of landlords. There is no doubt that the landlords are only recovering a fraction of their rents. Even if we cannot create new machinery to replace the present system, it is quite possible, as a result of these years of depression, that conditions are growing up which will be a serious threat to the working of the existing machinery; and that is a subject which requires the very closest study, and I should say that that is a subject which all Government authorities ought now to be studying. And that indicates one point which I have to make in answer to the sort of proposal which is made in this amendment. This amendment merely contemplates a Department being set up two years after the setting up of the Reserve Bank. It contemplates something being done, say, three years from now. If there are urgent problems arising out of this crisis, they cannot wait for three years, and, therefore, in that respect I think perhaps this amendment is to some extent misconceived. If we are to rely on a Rural Credit Department of the Reserve Bank to deal with the sort of problems that may be arising now, then I think we should be relying on something for which, in any case even if the amendment is accepted, we may have to wait for too long.

But still I must come back to the question whether the Reserve Bank can do anything at all. I certainly would not go so far as to say that it could not. But there are certain things which I must make clear. One must remember that the Reserve Bank is a special piece of machinery designed to work the currency and the credit system of India. Even if that sort of work is very far above direct contact with the poor masses of this country, I hope the House will remember that it is work of the most vital importance, and that, if mistakes are made in that, it will react on all classes throughout the country. That is the main function of the Bank and, in order to exercise that function, this Bill lays down very carefully the kind of business which it has got to do and the way in which it must do that business. All those things are prescribed with great precision. Now, we cannot allow this Bank to depart from those sound methods of doing business, merely because the business happens to be a popularly attractive form of business falling under the description of "rural credit". Whatever the Bank does, whether it be rural credit or industrial credit,

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must be done on sound lines and within the rules laid down for the Bank's business. Therefore, it would be very unwise to create in this Bill any obligation on the Bank to launch out into the business of rural credit except on lines such as those that are laid down for its other business in this Bill; and if these restrictions are observed, then, I think, Honourable Members will realise that it will not be able to do very much by its own direct action. One must resist the sort of claim which was implicit in the speech of my Honourable friend, Mr. Maswood Ahmad, this morning, who said that this Bank must do something itself to help the poorer agriculturist. The Bank cannot give the sort of help that he has in mind without getting itself into a very unsound position. It has been put to me that, notwithstanding all that I have said about the necessity of keeping the Central Bank working on very strictly prescribed lines, nevertheless Central Banks in other countries have started departments of this kind and that they are successfully working. But we have only had put before us the example of Australia; and, as I pointed out in the first stage of these discussions to my Honourable friend who moved the present amendment, he has simply put before us the provisions of the Australian Act, and he has given us no evidence how those provisions are working or that they have been successful or achieved any important object. As I said a few days ago, I am afraid that I have not myself any direct evidence either on that subject. I only know that attempts of that kind of other institutions in Australia have on many occasions been very unsuccessful, and I do not think that any one here can say that any Reserve Bank in the world has attempted to do this business successfully and in a way which really has benefited the country. I think the onus of proof on that point remains undischarged.

Now, Sir, so much for what I consider to be necessary limitations on what a Reserve Bank could do. On the other hand, I want to say quite clearly that I recognise,—and I have often said this before,—that unless the Reserve Bank can somehow or other get into gear with all the rather primitive credit machinery which exists in the country, the indigenous bankers and their whole business of rural finance, unless it can do that, it will remain the centre of an important machine no doubt, but out of touch with the main financial business of India. And we do not want to leave it in that position. We want somehow or other to link it up with the whole of the credit machinery of India, and, therefore, we must from the very outset consider how that can be brought about.

Another point which I think one might take into account is this, that if there are needs arising out of the present crisis for creating new credit machinery in the country—perhaps on the lines of land mortgage banks,—then it may be very useful if the Reserve Bank can act in some way as a guide for creating institutions of that kind. What I mean to say is this, that if the Reserve Bank could lay down certain standard rules for land mortgage banks, then banks which comply with those rules which allow themselves to be “vetted”, if I may so put it, by the Reserve Bank, would command credit in the country, would have an established position, which might help them to raise money. In that way the Reserve Bank, as a central co-ordinating organization in the whole of the banking machinery, might perform a very useful function.

Again, the Reserve Bank might be of great assistance to co-operative societies and the whole of the co-operative financing machinery, not

merely by the re-discounting of Bills and so on; but in other ways as a guide and adviser, and in this connection I would like to refer to what was said to us by a co-operative expert in our Joint Select Committee discussions. I am afraid that I am now going to be guilty of an irregularity, Sir, for which I asked you to pull up other speakers earlier, and to refer to a passage from this evidence, but, in doing so, I do not want to base myself on the authority of the speaker. I merely want to give his views as my own on this subject, and perhaps in that way I may bring myself in order. I may also, while mentioning this, tell the House that we have approached all those who gave evidence before the Select Committee, asked them to correct the evidence, and whether they had any objection to its publication. I have not got all the answers yet, but we hope to make the whole of this volume of the evidence public in case it is of interest to anybody. Mr. Macpherson, the co-operative expert from the Punjab, said this:

"I think it would be quite impossible to link the money-lender up in any way with the Reserve Bank. The Reserve Bank is essentially a Central Bank, and the ordinary rural banker cannot have any dealings with the Central Bank, because the money that the Central Bank has must necessarily be liquid. Could we evolve any means of doing away with the middleman as regards financing the cultivator? You cannot; and your best middleman is the co-operative society. Therefore, you have to develop two things as far as I can see; on the one hand, your co-operative society, and, on the other hand, if it can be possibly put in the Bill, a clause to create a small department and to try and assemble in that department a few capable men with great experience of the indigenous debt with a possibility of devising some scheme to relieve it; but it could not be relief directly through the Reserve Bank, but it could be relief by linking up the *sourcar* with an organization which would be a provincial organization—not the Reserve Bank."

Then, in answer to a question from me, he said:

"No; my suggestion actually is that you could embody in your Bill a provision to have a department which would explore the possibilities of approaching the debt of the zamindar, and they could give their uninterrupted time to it, and then possibly put before the authorities or act in conjunction with the provinces and assist them once a scheme was evolved to raise capital."

That indicates a general idea, and it is interesting to know that a man of practical experience in the work of co-operative societies thinks that it would be of value to have this sort of expert department for agricultural credit in the Reserve Bank from the very outset. I think that on those lines we may possibly be able to do something which will be of real use and which will satisfy Honourable Members opposite, that we don't merely mean to let this thing hang fire, but yet which will, on the other hand, not encourage false expectations.

Now, Sir, I have been considering whether we could do anything to meet the views of the Honourable Member who has moved this amendment on the lines I have suggested without incurring the dangers which I have suggested, and I have worked out a clause which I will just read out, and then possibly if that is generally acceptable, you, Sir, might allow my friend to move it in substitution for his amendment. I will read out my proposed amendment:

"That after clause 53 of the Bill, the following new clause be inserted:

"53A. The Bank shall create a special agricultural credit department—that means create forthwith—the functions of which shall be—

- (a) to maintain an expert staff to study all questions of agricultural credit and be available for consultation by the Governor General in Council and Local Governments, and

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(b) to co-ordinate the operations of the Bank in connection with agricultural credit and its relations with Provincial Co-operative Banks and any other banks or organizations engaged in the business of agricultural credit."

The second clause is, of course, a wide and rather loose one, but what I had in mind there was something on the lines that I have already mentioned, that possibly the Bank might help with advice in the setting up of land mortgage banks and issue standard rules. That is one example of the sort of work that they might do. If that clause were accepted, then it would be necessary to make a very slight verbal consequential amendment in clause 54. According to my proposal, we should still leave the Bank under the obligation to make a report, as is already provided for, but the wording of that would have to be slightly altered, and clause 54 (1) (b) would read, according to my proposal, as follows. The clause runs:

"The Bank shall, at the earliest practicable date and in any case within three years from the date on which this Chapter comes into force, make to the Governor General in Council a report, with proposals, if it thinks fit, for legislation, on the following matters, namely",

—and then (b) would read—

"The improvement of the machinery for dealing with agricultural finance and methods for effecting a closer connection between agricultural enterprise and the operation of the Bank."

Now, Sir, if that were accepted, the position would be this. The Bank would straightaway start off with this expert advisory department. That might be from the very outset extremely useful. Then the Bank would further be under an obligation to report, as soon as possible, on measures for the improvement of the machinery for dealing with agricultural finance and methods for effecting a closer connection between agricultural enterprise and the operations of the Bank. That still leaves open the door to the possibility that the Bank might recommend that it itself should organize some sort of central agricultural finance corporation which might act as a sort of guaranteeing finance corporation which might act as a sort of guaranteeing society perhaps to land mortgage banks. I do not suggest any particular or exact method by which it can be worked. It still leaves the door open to getting recommendations for setting up some sort of a central finance corporation, but, if anything of that kind were to be done, that obviously would require very long and careful study. In the meanwhile, if the Bank had this small expert department, that, I think, might be a very valuable encouragement and of great use to Provincial Governments that are contemplating operations on any of the lines covered by what I have suggested.

Mr. F. E. James: (Madras: European): May I ask the Honourable Member one question? Would the expert department be available for consultation by provincial co-operative organisations directly? I think the Honourable Member only referred to the Government of India and Provincial Governments.

The Honourable Sir George Schuster: I think that is a very pertinent question. We have,—and, as a matter of fact, this is a very hurried draft,—put in, "to maintain an expert staff to study all questions of agricultural credit and be available for consultation by the Governor General

in Council and Local Governments". I should have no objection, and indeed, I think, it would be an advantage, to add some words to show that other organisations could also consult this department. I think if we put in "Governor General in Council, Local Governments, Provincial Co-operative Societies and other banking organisations", it would meet my Honourable friend's point. The phrase will then run as follows:

"To maintain an expert staff to study all questions of agricultural credit and be available for consultation by the Governor General in Council, Local Governments, Provincial Co-operative Societies and other banking organisations."

That is my position, and I should be glad if I could hear from my Honourable friend, who moved the original amendment, whether this meets his point, in which case I hope that you, Sir, would allow this new form of amendment to be moved.

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, if this amendment comes from the Government, we on this side of the House will not object in spite of the fact that it falls far short of our demand and the demands of the country in two ways. In the first place, our demand was that this department ought to be established immediately. The period of three years, within which, according to clause 54, which we have already passed, the Bank should establish the department, is in our opinion, a long period. We cannot afford to wait for long. No doubt experts may be appointed, reports will be written and nothing will be done; but we from this side of the House do emphasise that something definite should be done and should be done from the outset. Secondly, we desired that the Bank should give financial assistance to certain co-operative and land mortgage banks immediately. The Finance Member said in his speech, he leaves the door open till some future date. It is only a pious hope. These are our difficulties, but we hope our helpless position has no alternative but to accept whatever the Finance Member gives us.

Mr. B. Sitaramaraju (Ganjam *cum* Vizagapatam: Non-Muhammadan Rural): With your permission, Sir, I wish to omit my own amendment and substitute this amendment now read out by the Honourable the Finance Member as a thing which will meet our immediate requirements. If you will permit me, I will read that amendment in substitution.

Mr. Vidya Sagar Pandya (Madras: Indian Commerce): On a point of order, Sir, It has been suggested to the Mover that the new amendment might be accepted, but the Finance Member says that there will be consequential amendments in clause 54 which we have already passed.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair has held in abeyance clause 54.

Mr. Vidya Sagar Pandya: Then I beg your pardon.

Mr. President (The Honourable Sir Shanmukham Chetty): The procedure that is to be followed is that the Honourable Member must get the leave of the House to withdraw his amendment and then this has to be put as a fresh amendment. If the House has no objection to that course, the Chair will straightaway ask the House whether it gives leave to the Honourable Member to withdraw his amendment and then put this question to the vote.

[Mr. President.]

Has the Honourable Member leave of the House to withdraw his amendment?

Honourable Members: Yes, yes.

The amendment was, by leave of the Assembly, withdrawn.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That after clause 53 of the Bill, the following new clause be inserted:

'53A. The Bank shall create a special agricultural credit department the functions of which shall be—

- (a) to maintain an expert staff to study all questions of agricultural credit and be available for consultation by the Governor General in Council, Local Governments, Provincial Co-operative Societies," (*The Honourable Sir George Schuster*: 'May I substitute the word 'Banks' for the word 'Societies?') 'Provincial Co-operative Banks and other banking organisations,
- (b) to co-ordinate the operations of the Bank in connection with agricultural credit and its relations with Provincial Co-operative Banks and any other banks or organizations engaged in the business of agricultural credit'."

The motion was adopted.

New clause 53-A was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 54 stand part of the Bill."

The Honourable Sir George Schuster: Sir, I move:

"That in clause 54 (1) (b) of the Bill, for the words 'the establishment of a Rural Credit Department of the Bank or the creation of other machinery' the following words be substituted:

'The improvement of the machinery for dealing with agricultural finance and methods'."

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in clause 54 (1) (b) of the Bill, for the words 'the establishment of a Rural Credit Department of the Bank or the creation of other machinery' the following words be substituted:

'The improvement of the machinery for dealing with agricultural finance and methods'."

The motion was adopted.

Mr. Bhuput Sing (Bihar and Orissa: Landholders): Sir, I beg to move:

"That after sub-clause (2) of clause 54 of the Bill, the following new sub-clause be inserted:

'(3) If at any time the Bank is of opinion that the transfer of shares shows signs of undue accumulation in the names of any individual or Company, it shall report the matter to the Governor General in Council for such action as they deem necessary for the prevention of such undue accumulation'."

The question of holding the maximum number of shares by a person has been sufficiently discussed in this House and I do not want to deal with it at any length. The amendment of my Honourable friend, Mr. Mitra, was only defeated by one vote, so we may take it that there is a general desire in this House that persons should not hold an unlimited number of shares. By this amendment I am not asking the House to limit any one's holdings, but all that I ask is that the Central Board should carefully watch the situation and report the matter to the Governor General, when such undue accumulation takes place, for prevention of such accumulation. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That after sub-clause (2) of clause 54 of the Bill, the following new sub-clause be inserted :

'(3) If at any time the Bank is of opinion that the transfer of shares shows signs of undue accumulation in the names of any individual or Company, it shall report the matter to the Governor General in Council for such action as they deem necessary for the prevention of such undue accumulation'."

The Honourable Sir George Schuster: In the first place, I should like to ask my Honourable friend what he means by "they". To whom does he refer?

Mr. Bhuput Sing: The Governor General in Council.

The Honourable Sir George Schuster: It should be "he".

Mr. Bhuput Sing: Yes, I made a mistake.

The Honourable Sir George Schuster: On the whole I cannot greatly object to this in substance. But it seems to me to be rather unnecessary. It establishes nothing beyond the fact of reporting the matter. It leaves the discretion entirely with the Governor General in Council. I think, on the whole, I must oppose this amendment. I think it is unnecessary. I hope the Honourable Member will not press it.

Mr. B. R. Puri (West Punjab: Non-Muhammadan): Would the Mover or the Honourable the Finance Member give the House some idea as to what is really meant or intended to be meant by the expression "undue accumulation"? We have got absolutely no idea.

Mr. President (The Honourable Sir Shanmukham Chetty): That refers to what the Bank authorities may consider "undue". This is vague.

Sir Cowasji Jehangir (Bombay City: Non-Muhammadan Urban): My Honourable friend has certain apprehensions to which he gave expression on more than one occasion. If a large number of shares come in to the hands of one person in any one area, then a large number of shares would get sterilised. That was one of the objections. Therefore, he now desires to put a Statutory obligation upon the Bank to draw the attention of Government if such a contingency did occur. My answer to my Honourable friend would be that if such a contingency did occur, not only would the Government's attention be drawn to it by the Central Board, but the public themselves in that area would draw attention to such a state of affairs and Government would be forced to take action or to consider the

[Sir Cowasji Jehangir.]

matter and, therefore, the clause is redundant. He visualizes a state of affairs which would not carry out our intentions, which would go contrary to all the intentions we now have. Under the circumstances, legislation would be brought before this House. I do not think any useful purpose would be served by my friend's amendment.

Mr. Bhuput Singh: Sir, I beg leave of the House to withdraw my amendment.

The amendment was, by leave of the Assembly, withdrawn.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 54, as amended, stand part of the Bill."

The motion was adopted.

Clause 54, as amended, was added to the Bill.

Mr. K. P. Thampan (West Coast and Nilgiris: Non-Muhammadian Rural): Sir, I move:

"That after clause 28 of the Bill, the following new clause be inserted and the subsequent clauses be renumbered accordingly:

"29. The Bank shall maintain separate accounts of the Issue Department and the net profits thereof shall be wholly made over at the end of every year to the Governor General in Council."

The object of my amendment is that the accounts of the Issue Department should be kept separate from the accounts of the Banking Department, and that the entire profits accruing from the Issue Department should be made over to the exchequer at the end of every year. We are now entrusting 90 crores worth of securities to the Reserve Bank. Strictly speaking, that is the property of the tax-payers. The tax-payers used to get all the interest on these securities until now. The difference between the profit that the Bank might give to the Exchequer and the gross receipts that the tax-payer is now obtaining in the shape of interests will be a large amount and to that extent fresh taxation will have to be imposed on the tax-payers. Of course there is a provision limiting the payment of interest to five per cent. or so under this Act and the whole balance of the proceeds should go to the Government, but what I maintain is that these restrictions should apply with regard to the profits of the Banking Department and the proceeds of the Issue Department might in their entirety be made over to the Exchequer. We are now giving also five crores worth of securities as a kind of reserve for the Bank to start with. It is said by the Select Committee in their Report that one of the reasons that induced them to make this reserve fund is to provide for any possible depreciation of the securities that are now made over to the Reserve Bank. Inasmuch as we are providing five crores of rupees as reserve fund, it is all the more reasonable that all the profits of the Department should go to the Government. My proposal, if adopted, will fit in with the provisions of the Bill and the general principles involved in all these clauses. I find under the provisions of the Bank of England also, the entire proceeds of the Issue Department go to the State. Under the Currency and Notes Act of 1928, the net profits of the note circulation are payable in their

entirety to the Exchequer. In the constitution of the Bank itself, you will find there is a distinct provision to the effect that such profits should go to the State. Clause 6 of the Act of 1928 lays down that the Bank shall pay to the Treasury the profits arising in respect of such Department. Every year the income from the Issue Department has to be made over to the State. The Government, by their judicious management of the currency, have been able to build up these securities, and I do not understand why the profits to be derived from this reserve should be made over to the shareholders of the Bank. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That after clause 28 of the Bill, the following new clause be inserted and the subsequent clauses be renumbered accordingly:

'29. The Bank shall maintain separate accounts of the Issue Department and the net profits thereof shall be wholly made over at the end of every year to the Governor General in Council'."

Dr. Ziauddin Ahmad: Sir, I support this motion. The income of the Issue Department ought to go to the Governor General in Council in order to give some kind of relief to the Budget. This Issue Department is very different from the business department of the Bank. The thing is that if we do not give this money to the Governor General, then the money which we require for the Budget will have to be collected by taxation. The question is whether we should give this money as a gift to the few persons who have contributed the Share Capital or it should go to relieve the taxes of the country. My friend has given two alternatives. Either this goes to relieve the tax-payers or it goes to the pockets of these *nimboo-nichors* who really take possession of the whole Bank by bringing in their five crores of rupees, and, in addition, five crores of rupees to be given to them out of general revenues. So I think the Honourable the Finance Member ought to make out a case why he is so very generous towards these shareholders and why he is so stringent towards the tax-payers of this country. Sir, I support the motion.

The Honourable Sir George Schuster: Sir, I must oppose this amendment. It is contrary to the whole scheme of the Bank, which is this that the persons who put up these five crores shall be assured of a minimum dividend the rate of which has to be fixed at the time of the issue of the shares and which may not exceed six per cent. Now, if this amendment is carried, the only chance for these shareholders to get any dividend will be out of the banking profits of the Bank. It is not likely that in the earlier years they will get an attractive return out of the banking profits alone, and we must remember that this Bank is not supposed to be run for the purpose of making profits. It has a public function to perform, and profit-making is only a secondary consideration. In these circumstances, the shares of the Bank, if it were not for the fact that the banking profits are going to be supplemented by the profits of the Issue Department, would not be a very attractive investment. My Honourable friend has raised the point that it means a heavy burden on central revenues. But I would remind my Honourable friend that the amount which the shareholders can get cannot exceed Rs. 80 lakhs a year and that that, of course, will be partly made up by the banking profits of the Bank. Therefore, the net burden on the Central Revenues cannot be very large. Apart

[Sir George Schuster.]

from that, I oppose this amendment for the following reason. It is essential when the Bank is set up that the Central Board should regard the whole business of the Bank as a united whole. It would be very undesirable that the Board should attempt to make the banking side of the business profitable at the expense of the Issue Department, and so on, and there are various ways in which the two sides might come into conflict unless they were pooled in a common whole. On all these grounds I must oppose this amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That after clause 28 of the Bill, the following new clause be inserted and the subsequent clauses be renumbered accordingly:

'29. The Bank shall maintain separate accounts of the Issue Department and the net profits thereof shall be wholly made over at the end of every year to the Governor General in Council'."

The motion was negatived.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 2, as amended, stand part of the Bill."

The motion was adopted.

Clause 2, as amended, was added to the Bill.

The First Schedule was added to the Bill.

The Second Schedule was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is

"That the Third Schedule to the Bill stand part of the Bill."

Dr. Ziauddin Ahmad: Sir, if you will permit me, I shall move Nos. 370 and 371 together, as they are practically the same. I rise to move:

"That in paragraph 2 of the Third Schedule to the Bill, for the word 'one-sixteenth', in the sixth line, the word 'one-thirty-second' be substituted, and for the word 'thirty-second', in the sixth line, the word 'one-sixty-fourth' be substituted."

Sir, we are giving here a very big and a quite unjustifiable discount to this Imperial Bank, that is, 1/16th of one per cent. This really means that, in respect of a sum of Rs. 100, we have to pay one anna for every hundred rupees and that is a really very big discount. Really speaking, there ought to have been no discount at all, but even if something has to be paid, it ought to be the bare minimum; and since we have to deal with very large sums of money, one anna for each hundred rupees will come to a very substantial figure. After all, there should be some limit to the processes by which money is squeezed out from the pockets of the taxpayer for the benefit of the shareholders. I think, Sir, our patience is exhausted and we know that we are in a very helpless position.

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadan Rural): How will this go into the pockets of the shareholders?

Dr. Ziauddin Ahmad: I hope the Honourable the Finance Member, when he comes out with his Budget, will keep this also in mind, namely, whether, with the budgetary conditions being what they are, he should be so very generous and liberal to this Reserve Bank.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in paragraph 2 of the Third Schedule to the Bill, for the word 'one-sixteenth', in the sixth line, the word 'one-thirty-second' be substituted, and for the word 'thirty-second', in the sixth line, the word 'one-sixty-fourth' be substituted."

The Honourable Sir George Schuster: Sir, I must oppose these amendments. My Honourable friend advanced no arguments, he has given us no calculations to show whether this reduction is justified, and I must remind him and also the House that I read to the House the other day a report by the Auditor General who had been into these whole calculations and into the provisions and who reported that, on the basis of the actual cost which had to be incurred by the Imperial Bank in order to handle the Government's account, the proposed commission was fair and reasonable and did not represent more than the actual cost involved to the Imperial Bank. My Honourable friend now proposes to remunerate them in the very generous way of giving them one-half of what it actually costs them to carry on the business. Sir, I must oppose the amendment.

Sir Cowasji Jehangir: I have to ask one question. The Honourable the Finance Member will recall that after ten years a further investigation is to take place. How does he propose that all these facts and figures will be kept on record? Will they be kept on record in the Secretariat, or will they be placed on record along with some papers in connection with this Bill so that, ten years hence, it may not be said that there are no records on which the Government based these calculations? Something will have to be placed on record with regard to the Auditor General's report and the facts and figures on which that report was based so as to make them available ten years hence.

The Honourable Sir George Schuster: I do not quite understand my Honourable friend's point. Of course all these papers will be on record, but they will be of very little use ten years hence. Then we shall have to examine again the actual expenditure incurred by the Imperial Bank and check the position on that. Now, we have satisfied ourselves for the present that we are starting off on a fair basis representing the expenditure as it is today.

Sir Cowasji Jehangir: What I mean to say is that the methods by which you have worked out the figures must, I suggest, be available to those who examine the position ten years hence

Mr. President (The Honourable Sir Shanmukham Chetty): There will be some naphthalene balls in the records.

Sir Gowsari Jehangir: Mr. President, it is not a joke, it is a quite serious suggestion I make. Such things have happened in the past when it was said that such records have not been available. What I want is that, when we come to reconsider the matter after ten years, all these records should be available.

The Honourable Sir George Schuster: I now appreciate my Honourable friend's point. What he wants is that there should be a record of the method by which the calculation is made. I appreciate that point and I will certainly see that steps are taken that these papers are recorded in a way in which they will not be lost.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in paragraph 2 of the Third Schedule to the Bill, for the word 'one-sixteenth', in the sixth line, the word 'one-thirty-second' be substituted, and for the word 'thirty-second', in the sixth line, the word 'one-sixty-fourth' be substituted."

The motion was negatived.

Dr. Ziauddin Ahmad: Sir, I beg to move:

"That in paragraph 2 of the Third Schedule to the Bill, the words 'receipts and', in the seventh line, be omitted."

Sir, in spite of the insinuation of my Honourable friend, the Finance Member, I still bind myself to the self-imposed ordinance of not making long speeches. Though he asked me last time that I ought to have given facts and figures to justify what I said and insinuated that I should make an hour's speech, but in spite of insinuation I will be very brief and follow your advice. Sir, in this case I can understand if one anna per cent. is given to them in the shape of discount for the disbursement, but I cannot understand why this amount should be given for the receipt. Disbursement means some kind of work; but, in the case of the receipt, no work is involved. I am afraid this donation and the free gift that we are giving is going rather beyond limits and we must put a stop to it. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in paragraph 2 of the Third Schedule to the Bill, the words 'receipts and', in the seventh line, be omitted."

The Honourable Sir George Schuster: Sir, receipts are included, because, it is on this basis that a commission of 1/16th per cent. on the first 200 crores and 1/32nd above it produces the amount which is necessary to cover the actual cost incurred by the Imperial Bank. My Honourable friend has just attempted to halve that remuneration by his two amendments, Nos. 370 and 371. Having failed in that, he is now trying to halve it by another method. I am afraid I must oppose that.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in paragraph 2 of the Third Schedule to the Bill, the words 'receipts and', in the seventh line, be omitted."

The motion was negatived.

Dr. Ziauddin Ahmad: Sir, I beg to move:

"That in item (a) of paragraph 3 of the Third Schedule to the Bill, for the word 'nine' the word 'six' be substituted."

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in item (a) of paragraph 3 of the Third Schedule to the Bill, for the word 'nine' the word 'six' be substituted."

The Honourable Sir George Schuster: Sir, I am very glad that I do not have to rely for my pay on my Honourable friend, the learned Doctor. He seems to be in favour of very substantial cuts. I must oppose this amendment on the same ground as I have opposed the last amendments. This remuneration was calculated on the cost, and my friend wishes to reduce it.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in item (a) of paragraph 3 of the Third Schedule to the Bill, for the word 'nine' the word 'six' be substituted."

The motion was negatived.

The Third Schedule was added to the Bill.

The Fourth Schedule was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That the Fifth Schedule to the Bill stand part of the Bill."

Mr. K. P. Thampan: Sir, I beg to move:

"That in the Fifth Schedule to the Bill, under the head 'Assets', after the words 'Loans and Advances to the Government' the words 'Loans and advances to the Imperial Bank of India' be inserted."

Sir, as the provision now stands, there is a heading for other loans and advances. That is all. Of course, the loans and advances to Government have to be clearly stated. But it might be asked how much loans and advances are given to the Imperial Bank as against other banks and institutions. Inasmuch as the Imperial Bank acts as the agent of the Reserve Bank, it is absolutely necessary to mention how much loans and advances are given to the agents themselves. That will create a kind of confidence among the public. Unless a separate item is provided to meet this demand, people will not be in a position to understand what money has been lent to the Imperial Bank. This Schedule has been adapted more or less from the weekly returns of the Bank of England. Even with regard to the returns of the Bank of England, there is a demand in England to have it revised. It is, therefore, absolutely necessary to show specifically what the agents themselves have taken as loans and advances. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in the Fifth Schedule to the Bill, under the head 'Assets', after the words 'Loans and Advances to the Government' the words 'Loans and advances to the Imperial Bank of India' be inserted."

The Honourable Sir George Schuster: Sir, I must oppose this amendment. I see no reason why loans to the Imperial Bank should be treated as being on a different footing to loans to other scheduled banks. It would be, we feel, invidious to make this kind of distinction and I have not heard anything from my Honourable friend to induce me to alter that view. I oppose.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in the Fifth Schedule to the Bill, under the head 'Assets', after the words 'Loans and Advances to the Government' the words 'Loans and advances to the Imperial Bank of India' be inserted."

The motion was negatived.

The Fifth Schedule was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 1 stand part of the Bill."

Dr. Ziauddin Ahmad: Sir, I beg to move:

"That for sub-clause (4) of clause 1 of the Bill, the following be substituted:

"(4) This Act shall remain in force for a period of twenty-five years, which period may be extended by appropriate Legislature on the petition of the Bank made not less than three years before its expiry."

Sir, the original clause runs thus:

"This Act shall remain in force for a period of twenty-five years and thereafter until repealed."

Thus it may exist till perpetuity. I have got before me about 30 Acts of different Central Banks and I have taken very great pains in reading all of them to find out whether a provision of this kind that, after a period of twenty-five years, it is extended automatically to perpetuity exists anywhere. The only answer which my Honourable friend would give is that we are creating an example here for other Reserve Banks to follow. That is the only answer he can give. I do not wish to waste the time of the House, and, therefore, I will read only from a few Acts. In the case of Japan, for example, we find:

"The business term of the Bank of Japan has been for 30 years reckoning from the date of commencement. A petition must be made to the Government for the extension of the term in pursuance of the resolution to that effect made by the general meeting of the shareholders."

Sir, we have got nearly everywhere the same manner of extension. For example, in the case of the Bank of Portugal, we have got the same thing,—at the end of 40 years, it can be prolonged at the request of the

shareholders at the meeting and with the permission of the Legislature. Sir, you take up any number of Banks and you will find the same provision. I will open indiscriminately this Book "*Central Banks Acts*", and I find the same provision in every Act. Here is the *Bank of Chile Act* which is so very popular with the Honourable the Finance Member, because, in one particular case, he could not find his illustration anywhere and then he had to go to Chile. The Bank of Chile is founded for a period of fifty years and then that period may be extended on petition of the Bank by proper legislation. Sir, the usual practice in every Central Bank is that, as soon as the period is over, a general meeting of the shareholders should be convened and they should make a request and the Legislature may or may not accept that particular request. The request is for the consideration of the Legislature. But I have not seen in any of the Acts of the Banks any provision of the kind just now before us. In fact, the Honourable the Finance Member ought to have laid on the table a copy of these Acts of different Banks so that we might have been able to form our opinion and would not rely entirely upon the compendium or summary of Mr. Keisch, however good it may be, published in his book.

Sir Muhammad Yakub: How much will it cost to the tax-payer?

Dr. Ziauddin Ahmad: Only the price of the postage stamps, because had the Government written to these Banks, they would here sent at their own expense the copies of the various Acts governing the various Banks. Only stamps were required for writing letters. We see that in all these Banks a provision similar to the one embodied in my amendment exists. After the expiry of the period, a general meeting of the shareholders should decide whether they would like to continue or not and afterwards, it must come to the Legislature for final sanction. But this thing, that after the expiry of 25 years, the Bank automatically goes on for ever, is quite a novel procedure which we are now introducing in this country. The Honourable the Finance Member emphasised in the beginning that in the establishment of Central Banks we are following the practice of the civilised countries. I repeat his argument that, in this particular case also, we should follow the example of the Central Banks of the civilised world, and not create a barbaric example for the civilised countries. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That for sub-clause (4) of clause 1 of the Bill, the following be substituted:

'(4) This Act shall remain in force for a period of twenty-five years, which period may be extended by appropriate Legislature on the petition of the Bank made not less than three years before its expiry'."

Mr. N. M. Joshi (Nominated Non-Official): Sir, I think this sub-clause (4) is entirely an absurd clause. In the first place, I do not know what it exactly means. If it means that this legislation cannot be amended or repealed by Legislature for 25 years, it is an unnecessary restriction upon the powers of the Legislature. If it means that the legislation must end at the end of 25 years, the later addition of the words, "until it is repealed" makes that also impossible. I, therefore, think that it is wrong to put in a clause of this kind. It is true that Government explain that

[Mr. N. M. Joshi.]

these words are put in there just to give some kind of confidence to the people who invest their money. But this does not give confidence to people who have got some intelligence, this may give confidence to people who have no intelligence at all. On the other hand, it is likely to lead to mischievous results. It may be said, that, if this clause really does not mean anything at all, why was it placed there, and then the Courts will be asked to find out some meaning which must be there in order to justify the insertion of an absurd clause like this. I think it is a mischievous clause which should be deleted.

The Assembly then adjourned for Lunch till Two of the Clock.

The Assembly re-assembled after Lunch at Two of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

Mr. Jagan Nath Aggarwal (Jullundur Division: Non-Muhammadan): Sir, I support this amendment. It appears to me that this clause serves no useful purpose. If the idea is to have this measure for a period of 25 years, it should say so. The clause should then say that the Act will last for 25 years and nothing more. If the idea is that it should be perpetual, then you should say nothing. Therefore, it appears that either this is an oversight or it is in a fit of lapse that this clause has come in, because, as it is, it means practically nothing. It does not express the idea we have in view, but perhaps there is more than we intend.

The Honourable Sir George Schuster: If my Honourable friend would like to move that the clause be deleted, and if you, Sir, would permit him to do so, we have no objection to its deletion.

Mr. Vidya Sagar Pandya: The question then is, whether it would not make it perpetual without any limit and it can never come before the Legislature for extension.

Mr. Jagan Nath Aggarwal: It will be certainly very logical for my Honourable friend, the Finance Member, to say that it should be deleted, because it would mean that this Bill goes on until somebody takes the trouble to have it repealed by the Legislature. Then the question will be that those who want to have it repealed will have to come to the Legislature. But the whole point is that this Bank is to be in existence for 25 years, and to ask somebody who wants to have it repealed to come to the Legislature will be too much. I put it like this. This Bill is, in the first instance, for 25 years and this amendment seeks to bring in the idea that after 25 years the matter should come up for fresh examination before the Legislature, and that, I submit, is the real point of this legislation. We are enacting it for 25 years; we are told that we should allow the shareholders and all people concerned in the Bank fixity of tenure and fixity of this institution for a certain period. You have it for 25 years, but to say, that it is for 25 years and for all time to come

till it is repealed, is certainly not the underlying idea of this Bill. My Honourable friend, Dr. Ziauddin, has invited the attention of the House to the constitutions of all the Reserve Banks that he has with him. But I put it to the House only from the point of view that ordinarily laws are enacted for a certain time or for all time. But I never understood a law to be for a certain time and for all time in the same breath. Therefore, either it is for 25 years or for all time; but to be for 25 years and for all time is something one does not understand. Therefore, whether the Honourable the Finance Member wants to have this clause repealed or do something else to it, for my part I am in favour of the amendment of Dr. Ziauddin, because that is what the intention of the House is that the matter should be examined after 25 years. I, therefore, support the amendment.

Mr. S. G. Jog (Berar Representative): Sir, I am glad to find that this Reserve Bank Bill has for the time being come from the domain of the Finance Member and the Finance Department to the domain of law. Here a vital legal question is involved. The object of the Bill is that we should have a Bank established the life of which should be for 25 years and 25 years only, unless, after that period, a new life is put into it. The wording, as it stands, gives it a perpetual life, and those who want to have it repealed must come before the House for getting it repealed. So long as that step is not taken, the Bill is supposed to have a life for all time to come. This, I think, was never the intention of the framers of the Bill nor of this side of the House. We give you an opportunity of making an experiment so far as this Bill is concerned, and we give you a sufficiently long period of 25 years to make the experiment. After 25 years, or sometime before that, a stock should be taken of things as to how the Bank has been functioning, whether the lines on which the Bank is framed has really satisfied the requirements; and at that time a proper inquiry will be made and, in the light of that inquiry, if the existing things are to continue or if it requires any modification or amendment, it will be the duty of the Government, then in existence, to come before the House and make fresh legislation giving a fresh start of life on whatever lines the House, that may then exist, may like to have. This is the constitution and the legal position in matters of all legislation. But there are many other legislations where no life is given or when that legislation is not for a particular period no mention of any period is made, and it is the fundamental right of the Legislature either to have it repealed before that time, or, when no period is fixed, that legislation continues for all time to come. We never had this intention of giving this Bank a perpetual life and we have restricted its life to 25 years. The result is that, after 25 years or sometime before that, the matter must come before the Legislature, must undergo a critical examination and a new life must be given to it. That, Sir, is the legal position and, I think, Dr. Ziauddin's amendment satisfies the spirit of the Bill. His amendment runs:

"This Act shall remain in force for a period of twenty-five years, which period may be extended by appropriate Legislature on the petition of the Bank made not less than three years before its expiry."

This is the legal position and there is no way out of it. I beg to support the amendment moved by Dr. Ziauddin.

Mr. K. P. Thampan: Sir, I have got an amendment, No. 10, for a similar purpose: may I move it? If you will allow me to do so, the discussion could then proceed on both the amendments.

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member may move it if he wants.

Mr. K. P. Thampan: Sir, I move:

"That in sub-clause (4) of clause 1 of the Bill, for the words 'thereafter until repealed' the words 'its operation may thereafter be extended for such further period or periods not exceeding two years as the Governor General in Council may, by notification in the Gazette of India, direct be substituted.'"

As my Honourable friend, Mr. Jagan Nath Aggarwal, said, the provision, as it stands in the Bill, is absurd. It is better if the Government will deal honestly with this Assembly and drop these words from the clause and allow the Bank to continue until repealed. That is a more honest way of doing things. As it is, it means nothing—it means that the Bank will function till eternity. It is worth while in this connection to see what the analogous provision is in other Central Banks. With your indulgence I propose to refer to the Charter of some of them. The term of Charter with regard to the Bank of Austria is up to the 31st December, 1957; and the Federal Government is, with the sanction of Legislature, entitled to take over business of the Bank at its real value in the event of the expiry of the privilege. In Belgium, the Act was passed in 1927, and its term of Charter is for 25 years. In Chile, which is quoted very often in this House, it is for fifty years, and the period may be extended by legislation on the petition of the Bank: the Bank must approach the Legislature to have its term extended. That is very important; here it is the other way. In Columbia, it is 20 years. In Czechoslovakia, the Charter was granted for 15 years: the privilege ceases after the expiration of the above term unless the Bank applies for renewal at least two years before it expires. There is no time of notice. the Bank has to approach the Legislature for renewal two years before the expiration of the period. In Denmark, the Charter expires in 1938—the Bank was started in 1906. In England, the National Debt Act of 1870 provides that "the Bank of England shall continue a corporation for the purposes of this Act until the stock is duly redeemed by Parliament". In the Act of 1844 it was for termination on 12 months' notice after 1855. In Estonia, the term is for 25 years. In France, it is subject to renewal from time to time; the last renewal was effected in 1918 and it enures till the 31st December, 1945. In Germany, the term is for 50 years. In Hungary, the Bank was established in the year 1924 and the Charter is up to the end of 1943, that is, 19 years only; and the Government there shall be entitled with the approval of the Legislature to take over the whole banking business at its actual value in the event of the expiration of the Charter; three years before expiry the General Assembly shall decide whether to apply for renewal: two years' notice to Government if it applies for renewal. In Japan, the term of Charter is for 30 years. In Lithuania, the right to issue notes is only for 20 years: this term may be extended by legislation at the request of a meeting of the shareholders. It is so in almost all countries—there is a time limit and in most cases the Banks concerned have to approach the Legislature for extension of time. Unfortunately for us, here the position is reversed and somebody outside the Bank, a member of the general public with the consent of the Governor-

General at his discretion, will have to approach the Legislature even for an amending legislation. What the House should remember is that, though the Bill is passed by this Assembly, after the Constitution Act is passed in Parliament, the chances are that the Reserve Bank will be taken altogether out of the purview of the Federal Assembly and, for all time to come, this Act will be on the Statute-book. That is a dangerous position, and, therefore, I submit that the necessary alteration has to be effected even now. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Further Amendment moved:

"That in sub-clause (4) of clause 1 of the Bill, for the words 'thereafter until repealed' the words 'its operation may thereafter be extended for such further period or periods not exceeding two years as the Governor General in Council may, by notification in the Gazette of India, direct' be substituted."

Sardar Sant Singh: Sir, I had no intention of intervening in this debate on this particular clause. The legal position has been clarified by my friend, Mr. Aggarwal. What I want to say is this: I want to make a personal appeal to the Honourable the Finance Member that he should accept the amendment of Dr. Ziauddin. If we go back to 1833, we will remember that the East India Company's Charter was renewed in 1833. It expired in 1858 when India came directly under the Crown. If this Reserve Bank Bill expires in 1958, a full century would have elapsed when we would take stock of the benefits or otherwise of the Imperial connection of India with England. We might then be called upon to introduce many changes. If this amendment is accepted, the House will be adding another chapter to the history.

Raja Bahadur G. Krishnamachariar: Sir, I entirely agree with Mr. Joshi as regards the utility of this clause; the House will remember that in the course of the discussion earlier in this debate, the Honourable the Law Member pointed out that, in spite of the provision in this Bill, the Act may be amended tomorrow, that is to say, immediately after this is passed. I do not know if it will be proper on my part to request you respectfully to allow me to move the amendment that this sub-clause be deleted. If you permit, Sir, then I shall move it and it will save further discussion; nobody wants any notice of it: it is only getting rid of the thing and I believe there will be unanimous opinion in this House if that is done. May I move it, Sir?

Mr. N. M. Joshi: I am opposed to it.

Raja Bahadur G. Krishnamachariar: You are opposed to clause 1: why not take out the whole thing?

The Honourable Sir George Schuster: I have no objection to my Honourable friend moving that amendment. There was an amendment to that effect down on the list in the name of Mr. Jadhav—No. 7—so that the House has had ample notice of it. I have no objection: in fact, I should accept the amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member may move the amendment if he wants.

Raja Bahadur G. Krishnamachariar: I move:

"That sub-clause (4) of clause 1 be omitted."

[Raja Bahadur G. Krishnamachariar.]

I have already given the reasons: it is an absolutely useless clause; and, so far as the legal effect is concerned, I respectfully submit, it is the same whether it is there or not; therefore, Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): In the normal course, the amendment to delete the whole of sub-clause (4) will be put to the vote first. The question is:

"That sub-clause (4) of clause 1 be omitted."

The Assembly divided:

AYES—45.

Abdul Aziz, Khan Bahadur Mian.
 Allah Baksh Khan Tiwana, Khan
 Bahadur Malik.
 Ayangar, Mr. V. K. A. Aravamudha.
 Bajpai, Mr. G. S.
 Barjeay, Mr. John.
 Bhoré, The Honourable Sir Joseph.
 Chatarji, Mr. J. M.
 Clow, Mr. A. G.
 Dalal, Dr. R. D.
 DeSouza, Dr. F. X.
 Dillon, Mr. W.
 Graham, Sir Lancelot.
 Grantham, Mr. S. G.
 Haig, The Honourable Sir Harry.
 Harban, Singh Brar, Sirdar.
 Hezlett, Mr. J.
 James, Mr. F. E.
 Krishnamachariar, Raja Bahadur G.
 Lal Chand, Hony. Captain Rao
 Bahadur Chandhri.
 Lee, Mr. D. J. N.
 Mackenzie, Mr. R. T. II.
 Macmillan, Mr. A. M.
 Metcalfe, Mr. H. A. F.

Villar, Mr. E. S.
 Milligan, Mr. J. A.
 Mitter, The Honourable Sir
 Bhrojendra.
 Mukherjee, Rai Bahadur S. C.
 Nihal Singh, Sardar.
 Noyce, The Honourable Sir Frank.
 Rafiuddin Ahmad, Khan Bahadur
 Maulvi.
 Raisman, Mr. A.
 Rajah, Rao Bahadur M. C.
 Ramakrishna, Mr. V.
 Rastogi, Mr. Badri Lai.
 Ran, Mr. P. R.
 Sarma, Mr. R. S.
 Schuster, The Honourable Sir George.
 Scott, Mr. J. Ramsay.
 Sher Muhammad Khan Gakhar,
 Captain.
 Sinha, Rai Bahadur Madan Mohan.
 Smith, Mr. R.
 Tottenham, Mr. G. R. F.
 Trivedi, Mr. C. M.
 Wajihuddin, Khan Bahadur Haji.
 Wilayatullah, Khan Bahadur H. M.

NOES—16.

Abdul Matin Chaudhury, Mr.
 Aggarwal, Mr. Jagan Nath.
 Azhar Ali, Mr. Muhammad.
 Jadhav, Mr. B. V.
 Jog, Mr. S. G.
 Joshi, Mr. N. M.
 Mahapatra, Mr. Sitakanta.
 Mitra, Mr. S. C.

Murtaza Saheb Bahadur, Maulvi
 Sayyid.
 Neogy, Mr. K. C.
 Pandya, Mr. Vidya Sagar.
 Parmar Nand, Bhair.
 Sant Singh, Sardar.
 Sitaramaraju, Mr. B.
 Thampan, Mr. K. P.
 Ziauddin Ahmad, Dr.

The motion was adopted.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That clause 1, as amended, stand part of the Bill."

The motion was adopted.

Clause 1, as amended, was added to the Bill.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That the Title and Preamble to the Bill stand part of the Bill."

Dr. Ziauddin Ahmad: Sir, I move:

"That in the third paragraph of the Preamble of the Bill, for the words 'to make temporary provision on the basis of the existing monetary system' the words 'to temporarily maintain the Currency of British India on a parity with the Sterling (Paper) Currency of the United Kingdom' be substituted."

Sir, this Bill is really a bundle of absurdities, and we have added one more by removing sub-clause (f) of clause 1 of this Bill. We have, by removing this sub-clause, created a barbarous precedent for the civilised countries, and now we have really shown that we are not yet sufficiently civilized to class ourselves among the civilized nations of the world. When we have removed this sub-clause, we keep the Reserve Bank in perpetuity without considering whether the shareholders or Legislature desire to continue. Now, coming to the motion itself, my object is simply to call a spade a spade. Don't call a spade no trumps or something else. The object is really to connect it with the paper currency in the United Kingdom, so don't say all these bombastic words which are used in the Preamble. Sir, I move.

Mr. President (The Honourable Sir Shanmukham Chetty): Amendment moved:

"That in the third paragraph of the Preamble of the Bill, for the words 'to make temporary provision on the basis of the existing monetary system' the words 'to temporarily maintain the Currency of British India on a parity with the Sterling (Paper) Currency of the United Kingdom' be substituted."

Mr. C. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): Sir, I should not have spoken but for the rather panicky observations of the Mover of this amendment that we have endorsed the perpetuation of a Reserve Bank. The Reserve Bank in perpetuity was the phrase he used. But he has been obviously not valuing the power which the Legislature will have, the Government will have, the Federal Legislature will have in regard to this Reserve Bank. In spite of all the clauses and all the provisions in this Bill, whenever the Government think that, they should take over the Reserve Bank, they can take it over. There is no cause for panic.

The Honourable Sir George Schuster: I must oppose my Honourable friend's amendment, firstly, on the ground that it is bad English,—it contains a split infinitive (Laughter), secondly, on the ground that, as far as I can make out, it means nothing, and, thirdly, that if it does mean anything, it means precisely the same as the phrase which he attempts to displace. On these grounds, I oppose the amendment.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That in the third paragraph of the Preamble of the Bill, for the words 'to make temporary provision on the basis of the existing monetary system' the words 'to temporarily maintain the Currency of British India on a parity with the Sterling (Paper) Currency of the United Kingdom' be substituted."

The motion was negatived.

The Title and the Preamble were added to the Bill.

The Honourable Sir George Schuster: Sir, I move that the Bill, as amended, be passed.

Mr. President (The Honourable Sir Shanmukham Chetty): Motion moved.

"That the Bill, as amended, be passed."

Sir Lancelot Graham (Secretary, Legislative Department): With your permission, Sir, I beg to move three small drafting amendments. The first one is as follows:

"That in clause 6 of the Bill, before the word 'Rangoon' the word 'and' be inserted."

The motion was adopted.

Sir Lancelot Graham: Sir, I beg to move:

"That in sub-clause (2) of clause 33 of the Bill, for the expression 'sub-section (1)' the expression 'clause (7)' be substituted."

The motion was adopted.

Sir Lancelot Graham: Sir, I beg to move:

"That the clauses and sub-clauses of the Bill be re-numbered in accordance with the amendments made in the Bill and that the correction of cross-references necessitated thereby be made."

The motion was adopted.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That the Bill, as amended, be passed."

Mr. Vidya Sagar Pandya: Sir, in sports it is the usual custom that when two parties play, one of them comes out victorious, and it is the duty of the defeated party to congratulate those who have won the game. As such, let me on my own behalf—I cannot speak on behalf of the Independent Party, because I no longer belong to it, I have already resigned from it a fortnight ago—and I do not think that anybody in this Honourable House will disagree with me when I convey our hearty congratulations to the Honourable the Finance Member, Sir George Schuster, on his so successfully piloting this Bill. He has worked hard and untiringly, he went all the way to England, he had to pilot the Bill there, and he had to manage our friends on the front Benches and those who went to London with him, and everybody knows they supported him throughout, though some of them were blamed for inconsistency in certain respects,—even by the Finance Member. Then he had the difficulty of piloting the Bill through a team of 28 members in the Joint Select Committee, and I think some of us tried to give him as much trouble as possible. Then when we come to this Honourable House of 140 or 141 Members, it was really a very difficult task for the Honourable the Finance Member to get the Bill passed. I am afraid he must have passed some sleepless nights lest his apple cart might be upset at any time by the voting in this House. But

he has somehow managed it, he has worked very hard, and worked under very trying circumstances. He had any amount of patience. Added to that, we had a clean fight here, and during the course of this Bill here and when it was before the Joint Select Committee, he allowed us to put our case fairly and squarely. I may also say that in and outside the lobbies we had very fair play, and we did not have any of the *nautch* parties as in 1927 in connection with the Currency Bill to secure our votes, nor had any friends of the Government sent any telegrams to Members that their relations were seriously unwell and that they should go back home. I had my own experience on the last occasion when an urgent telegram was received from Madras that my Chief Accountant in charge of the bank in my absence was dead and that I must leave by the next train. I immediately sent back a telegram to my Chief Accountant, and he said in reply that he was very much alive and kicking. (Laughter.) Similarly, another Honourable Member was going to be deceived so that he might not give his vote on the Currency Bill. Now, let me say that, on this occasion, we had a clean fight in this direction. I am sorry I cannot do full justice to the work of the Finance Member, because I am not a good speaker, but I hope that those who will speak after me and have a better command of the English language will do full justice to the work which he has done and the trouble he has taken in piloting the Bill though we may not agree with the Bill as it has emerged.

I had put upon myself a most self-denying ordinance not to speak during the last fortnight, and I had at that time explained my position. I thought that there was no use moving any amendment when the Government had so many votes in their pocket and when so many of the Members of the House on the non-official side were absent. But some of my friends on this side took me to task and said that I was unnecessarily disheartened. Now, I would like to know how many amendments out of the 400 odd ones have been accepted by the Government. It is a problem for the Honourable Sir Lancelot Graham and the Honourable Mr. Aravamudha Ayangar on the official side to decide as to who got the largest number of amendments passed between them on this Bill! Except these two gentlemen, I do not think that any important amendment of anybody else

Dr. Ziauddin Ahmad: Two of mine were adopted.

An Honourable Member: One of Mr. Ramaswami Mudaliar's amendments was adopted.

Raja Bahadur G. Krishnamachariar: Mine was passed.

Mr. Vidya Sagar Pandya: I heartily congratulate those two or three non-official Members who by mistake got their amendments accepted at all. (Laughter.) And even these couple of amendments are very minor and of no consequence. The principles underlying the Bill remain as strong as ever and probably in some directions stronger. So far as the talking went, less than one-third of the talking was done by the Honourable Sir George Schuster, one-third by my friend, the Honourable Dr. Ziauddin Ahmad, and out of the remaining one-third more than two-thirds by the gentlemen who had gone to the London Committee. The Honourable the Finance Member, Sir George Schuster, was very much relieved of putting his case, because our own London friends and several of our own friends on the front Benches even went far beyond the Finance Member and defended practically every clause and sub-clause in the Bill.

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Now, I come to the defeat that we have suffered. The Government have got superior organisation and complete discipline on their side. All their Members are at their beck and call. Theirs is not to reason why, but to vote and thrive. So far as our Parties are concerned, there is no organisation, no discipline. All the efforts made by the Honourable Dr. Ziauddin Ahmad to bring the Members and Parties together by means of even teas and cakes have completely failed. Complete demoralisation set in in the Parties owing to the Leaders behaving so curiously. Several of our Party Leaders made somersaults which are unknown in Parliamentary history. The tragedy is that the Leader and the Deputy Leader of the Opposition deserted the Opposition and were hurrying faster than the Government Members into the Government lobby. Then the front Benchers, even other Party Leaders, made somersaults; even my friend, the Honourable Sir Leslie Hudson, voted with the Government in the matter of the appointment of the Governor. The Leader, the Deputy Leader of the Opposition and some Members were sturdier champions of the Government and lightened the work of Sir George Schuster; and they poured ridicule on every speaker who expressed the Opposition point of view and superciliously condemned every amendment brought by the rank and file. With an air of superiority, the Leader of the Opposition voted against the Opposition, and this is a thing unheard of in Parliamentary institutions. If I am not wrong, I should have expected the Honourable the President to pull up our Leaders when they were deserting their Parties. These Members felt that they knew all about banking, currency and exchange and the others were fools. I think they presumed too much. This reminds me of a small story. A friend of one of the Chancellors of the Exchequer of England asked him if he could tell him exactly how the exchange was worked and his reply was that the only person who really understood the exchange was now in a lunatic asylum.

The Honourable Sir George Schuster: He ought to be there. He is out. (Laughter.)

Mr. Vidya Sagar Pandya: He is among these M. L. A.'s. Now, the defeat is entirely of our own making. There is a Sanskrit *sloka* which says:

“*Kulhāra-mālikām drishtvā Kampitāḥ sakalāḥ drumāḥ.*

Ekah briddhah taru ubācha swajatiḥ naiba drishyati.”

It means that a cart load of loose axes fastened with ropes was passing through a big forest. All the trees began to tremble with fear, but an old or experienced tree said: “I do not see any limb of our own kind”. They were without wooden handles and were, therefore, harmless. So our *swajatis* have furnished the Government with the handle, so that they might use the axe against ourselves. After the performance of some of our friends here, our own countrymen, I have not much to complain against the Government. I am reminded of a Urdu couplet:

“*Doston se hamney bah sadmi uthayé jan par.*

Dil se dushmaneki shikayat kú gila jātā rahā.”

which means: “We have received such severe stocks at the hands of our own friends, that the complaints against the enemies have disappeared from our minds”.

Now, I won't pursue this matter. I have said enough and I will now come to the second part. I wish to draw attention to what the Bill amounts to, what has been the result of our deliberations and discussions during the last so many days. We find that the Governor General is all in all and powerful. The shareholders, who are supposed to be the owners of the Bank and the guide, the Bank gets a very secondary position where they cannot exercise their ordinary rights and privileges. The House pressed for three-fourths of the capital being owned by Indian nationals, but, as regards the proposal that three-fourths of the Directors both central and local should be guaranteed to Indians, that has also not been accepted, nor are we sure of the auditors being Indians. Then, coming to the transfer of shares, it has been decided that transfers may be made from one area to another and shares denuded, and manipulation may thus take place. Then we have got the provision in the Bill that the Governor need have no practical banking experience and, under clause 18, he becomes the sole dictator. Though, according to the provisions in the previous Bill, certain powers were reserved to two-thirds of the members of the Board, here they will be practically delegated to the Governor, and Members of the Indian Civil Service find new jobs as Deputy Governors. Then the next point that emerges is that the Directors will come here through the gamble of the ballot box. The principle of one share one vote has not been accepted. Then, the proxy system continues, and things can be manipulated. The amendments regarding the holding of shares to a limited extent were defeated. Then, the Imperial Bank becomes the sole agents for the Reserve Bank. Then, all the banks in the country are penalised to keep certain compulsory deposits with the Reserve Bank without many redeeming features, though it has been claimed that the Reserve Bank will help such banks. I will deal with this point separately and will give my reasons to show how it is not advantageous to banks to become members on the Scheduled List. Then we have got clause 46 in which the shareholders are given a free gift of five crores from the very start. This is a provision which was not provided in any of the previous Bills, nor by the London Committee nor, so far as I am aware, does it obtain in any other Central Bank in the world. Then, we come to the rule-making powers. The result is that the rights of the shareholders are encroached upon by the Governor General. Then, we have got the ratio of 1s. 6d. forced down our throats. Then, we have got a clause which torpedoes the gold coin, which practically disappears. The only result, Sir, of the Bill will be that Exchange Banks can now discount local and import bills while they will enjoy facilities in London for export bills. Then we have got the provision whereby the Legislature is kept out of the Board. The bankers are untouchables. Even in the Bank of England, as I said the other day, the Directors of other Banks are Directors also of the Board of the Bank of England. The Honourable the Finance Member said that these were not Directors of the five big Banks. Now, I do not see what is the distinction between the five big Banks and the so many other big Colonial and Dominion and other good Banks; here I have a list of the Directors of the Bank of England. Here is the list of twenty-six Directors of the Bank of England; out of these, fourteen Directors are connected with the financing houses, joint-stock banks and banking companies, colonial, dominion and other good banks, and the Bank of England has not suffered by it; and, as I said before, the Government of India themselves have been nominating the Directors of the other banks on the Board of the Imperial Bank of India, and the heavens have not fallen. Sir, I am quite prepared to give

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the names of those fourteen gentlemen and of the houses and banks with which they are connected. We have got first in this list Sir Charles Stewart Addis, Chairman of the London Board of the Hongkong and Shanghai Banking Corporation. Then we have got Mr. Charles Arbuthnot, Chairman of Arbuthnot, Latham and Co., Ltd. Then we have got Lord Cullen of Ashboton, a member of the London Board of the National Bank of Egypt. Then we have got Mr. Albert Charles Gladstone, of the banking firm of Messrs. Glyn, Gillanders & Co., and also a Director of the Ottoman Bank, London Board. Then we have got Mr. Kenneth Goschen, a Director of the Bank of Australasia and of the firm of Messrs. Goschen and Cunliffe. Then we have got Mr. Edward Charles Grenfell, M. P.—(an M. P. or a legislator mind you, and also a banker a double disqualification, this was never thought a disqualification in England and he acts as a Director of the Bank of England). Then we have got Mr. William Douro Hoare, Deputy Chairman of the Bank of London and South America. Then we have got Sir Robert Molesworth Kindersley, a Managing Director of Lazard Brothers, Limited. Then we have got Sir John Gordon Nairne, Bart., of the Anglo-International Bank, Limited. Next comes the Right Honourable Lord Revelstoke, a Managing Director of the famous firm of Baring Bros. Limited. Then we have got the Honourable Alexander Shaw, a Director of the P. and O. Banking Corporation, Limited. Then we have got Mr. Michael Seymour Spencer-Smith, Vice-President of the Anglo-Austrian Bank, and a Director of the British-Italian Banking Co., Ltd., and member of the London Committee of Anglo-Czechoslovakian Bank, so that he is a Director of three banking concerns. Then we have got Mr. Frank Cyril Turks, a member of the International Committee of Bankers. Then we have got Mr. Robert Wallace, of Wallace Brothers and Co., Ltd. Then we have got Mr. Arthur Whitworth, a Director of the Bank of Australasia. Thus, out of twenty-six Directors, fourteen gentlemen are connected with joint-stock banking, and I do not see why even the modest suggestion that the banks may return a person who is not actively connected with the banks but who has retired,—and if the Scheduled Banks appoint as their representative such a retired gentleman—was turned down. The result is that the banks are compelled to make deposits without any representation. That is, it is taxation without representation. Sir, it was said by the Honourable the Finance Member that the bankers unanimously agreed to these proposals when they were put before them. Now, let us look into the list of the bankers who appeared. I want to put to the House one thing, Sir, namely, that if there is a meeting of lambs and wolves and the matter is to be decided on the votes, the question is whether the lambs can vote against the wolves. Here, in the list of witnesses, we have got five representatives of the Imperial Bank of India—Sir Osborne Smith, Sir Kenneth Macdonald, Sir Purshotandas Thakurdas, Rai Bahadur Goenka, and Mr. Lammond. Then we have got Mr. Grey of the Bank of India, Mr. Cromartie and Mr. Cook of the Exchange Banks, and Mr. Pochkhanawala was the sole Indian joint-stock banker. Now, these banks have to depend upon the Imperial Bank of India whenever there is any crisis and they dare not go against the wishes of the Imperial Bank which is the only bank which can help them. Then, the bankers were told definitely that the merits of the Bill or of the proposals were no longer open to discussion as the principle of compulsory deposit had been accepted

by the Government and the Joint Select Committee. The exchange banks in their memorandum dated the 25th October, 1933, say that all the opinions which they expressed in 1927 still held good. I do not want to take up the time of the House by reading these long memoranda, but they were all definitely opposed to any levy of these deposits. The Calcutta Exchange Banks, on behalf of the Eastern Exchange Banks, which included the Chartered Bank of India, Australia and China, the Eastern Bank, the Hongkong-Shanghai Bank, the Lloyds Bank, the Mercantile Bank, the National Bank of India, the National City Bank of New York and the Netherlands Bank all these banks were against the levy of fixed deposits. Their representatives agreed to the terms just as in this House, when the bank and file were against the Bill, our leaders were with the Government.

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) vacated the Chair which was then occupied by Mr. Deputy President (Mr. Abdul Matin Chaudhury).]

It has been said that the impost of five per cent and two per cent has been taken from America and Australia, but in America banks have a definite share and have a representation on the Board. Here, the banks have no such thing. So it is practically, as I said before, taxation without any representation. It is admitted by the experts that, by taking these deposits, it would not be possible for the Reserve Bank to control the money market. Their suggestion of taking part of it in Government securities cuts at the very root of the principle. Then, we have got a memorial signed by 23 Indian institutions which were all against this and they wanted some kind of assurance that advances would be guaranteed to them against tangible securities. The future Governor, under the pretext of speculation in the Government security, might decline to give any assurance though the Act itself provides for advances against Government securities. I may also add that the development of the bill market is very slow, and this point has been very carefully considered and strongly pressed by the Exchange Banks. It will take a very long time to bankers to make any profitable use of these facilities and, added to that, the Governor, as in the case of the Imperial Bank of India, may decline to lend even against Government securities. The Imperial Bank some time ago issued a circular that it declined to make any advances even against Government securities unless it was proved to its satisfaction that it was required for genuine trade and business. As under clause 18, the Governor is the master of all he surveyed, there is no appeal against it. We have found from the experience of Indian institutions that any appeal to the Directors against the decision of the Managing Governors of the Imperial Bank of India is fruitless. The Directors are not in a position to control the Managing Directors in whose hands practically everything is left. Then, Sir, I would like to put one question. The Government of India themselves are big bankers. They hold, if I am not mistaken, about 24 crores of deposits in the savings bank from the public. Are they going to give five per cent of that to the Reserve Bank or are they going to put their hands into the pockets of the other banks and make them pay to the Reserve Bank? Then, Sir, banks with a capital of five lakhs are included in the Schedule, but the big indigenous bankers are not included though an assurance has been given that the Bank will investigate the matter and try to bring them in as soon as possible.

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Similarly, a number of the co-operative banks which have got very large deposits have gone scot-free and other banks, simply because they have the misfortune of having a large capital, are roped in. The result is that for several years to come, as stated by the Exchange Banks, the discounting facilities will not be of much use to any banks although they will be compelled to make deposits. Then we come to the position of the Imperial Bank of India, which has been made the chief agents for the Bank. The terms are too liberal. No doubt the Auditor General's figures may be all right, but one has to go behind them and see how the charges are made. The Imperial Bank of India has got a top-heavy European management and all those charges are made according to that scale. The result is that the Reserve Bank will have to pay a heavy charge of 1/8th per cent practically. Generally, in the case of all banking institutions, when the accounts are good, no charges are made. Only when the accounts are bad, a charge is made. Here we are giving at the rate of one-eighth per cent practically, and the Honourable the Finance Member paid a very glowing tribute to the Imperial Bank and he spoke about Indianisation. I shall deal about that matter when the Imperial Bank (Amendment) Bill comes up. In the meantime, to show what Indianisation has taken place, I shall read a small extract from the *Bank worker*, the official organ of the Imperial Bank Indian Staff Association of Calcutta in their November 1933 issue where they speak about Indianisation. They say:

"It may be recalled that in introducing the Imperial Bank of India Bill in 1920, the Government held out the assurance that proper and effective steps should be taken for Indianisation of the Bank's service. The pledge contained in Sir Malcolm Hailey's speech has in practice been abrogated inasmuch as it has been the policy of the management to exclude Indians altogether from superior appointments. This is borne out by the fact that the management has, in a number of cases, ignored the claims of senior Indian officers. We can say without fear of contradiction".

—Mind you, it is only the staff that knows where the shoe pinches,—

"That no Indian has ever been appointed in higher appointments carrying special pay and allowances which are held as preserves for European officers. So far as the officers' grade is concerned, the number of European officers and Indian officers at the end of 1932 is as follows:

	European.	Indian.
Bengal Circle	110	19
Bombay Circle	68	8
Madras Circle	50	9
Central Office	9	Nil.
	237	36

The authorities make much of the fact that for the last two years no European officer has been recruited."

—The Honourable the Finance Member also repeated that on the floor of the House—

"But, as a matter of fact, long years will elapse to find proper work for the European officers already taken in. The junior Supervising Staff is certainly manned by Indians and Anglo-Indians. These Supervising Assistants were taken in on the eve of the opening of the new Branches in accordance with the contract with the

Government. The Bank was at the time in need of supervising staff at a comparatively cheap cost. But, with the close of the development programme of the Bank, these supervising Indian Assistants have come to be regarded as a supernumerary staff. Members of this grade have been called upon to shoulder equal responsibilities with junior officers without commensurate rights and privileges in regard to pay, allowances and other benefits of service enjoyed by the officers. Their chances of promotion to the officers' grade are extremely meagre. The numerous and complicated divisions into watertight compartments of the Bank's higher service are calculated to attack the very principle of Indianisation."

Then they give a schedule which shows that the total monthly salaries, allowances, etc., of 23 European officers were Rs. 3,18,159 while the salaries, etc., of Indian officers comes to Rs. 27,931 only.

Now, Sir, you can judge for yourself what this Indianisation means. In another issue, they have pointed out that, though the Bank has been talking of retrenchment, they got 18 new European officers as assistants in the Bank whose pay and allowances and emoluments are comparatively very high. I do not want to tire the House by going into this matter. It has been said that the Imperial Bank has rendered great service to the banking institutions in the country. My experience of 30 years has been otherwise. We cannot look upon the Imperial Bank as our friends. There might have been some bankers who found themselves in trouble and who have had to rely too upon the help of the Imperial Bank; these bankers may sing praises and hallelujahs to the Imperial Bank. But our experience in the Madras Presidency has been most unfortunate. I will give you only one or two instances. The Imperial Bank was formerly giving over-draft facilities to the banks against Government securities both at the head office as well as at the branches. The Managing Governors and the Executive Officers of the Bank got into their head that those facilities should be stopped. They began with some of the annoying clauses like the half interest clause and minimum interest for charging seven days' interest instead of three days and all these minor things. They then said, they would not give at all any over-draft even against Government paper to any bank. Then it was pointed out to them that their statement that they were not giving such facilities to any bank was not correct. The name of one Indian institution was first given as an example and the result was that the facilities to that institution were stopped. Again, they maintained that they were not giving any facilities to any bank in India. A challenge was given to them and it was pointed out that there were a number of banks who were having overdraft facilities only because they were prepared to beg and cringe. But we wanted to stand on our own right and expected overdraft facilities by giving good securities. In 1931, the Imperial Bank came forward with a circular saying that they would not give any advance against Government securities. The result is that the banking institutions who get practically only this facility by way of advance against Government securities cannot find accommodation anywhere else, nor have they got free remittance facilities. Even as regards remittance facilities, certain clauses are put in whereby practically only the foreign exchange banks get advantage, while the Indian institutions do not get advantage at the lower rate for remittance. If you have not got a branch and you want to send remittance, you have to pay double charge and the Exchange Banks have practically branches in all the important centres and the result is that the cheap remittance facilities are availed of by these foreign exchange banks while the bulk of Indian banking institutions are deprived of it. Representations were made on these matters to the Directors of the Bank. I have got a big file of correspondence on the matter at my disposal. The

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matter was first referred to the Local Board, and the Secretary said,—no, it has already been decided by the Managing Directors! We pressed that the matter should be placed before the Local Board. With great difficulty the matter was placed before the Local Board. Then we asked that the matter should be placed before the Central Board. In the Central Board, one of the Directors did much in the matter to convince the Managing Directors about it, but the Managing Directors were helpless against the executive of the Bank. Then we had piteous letters from two of the Governors saying: “Why do you appeal to us when the Managing Directors have decided against you?” We cannot help you”. I want to know, what is the use of having such Directors on the Board? I am relating this, because, in the new constitution of the Reserve Bank, the type of Directors who will come under the gamble of the ballot box will have very little experience, and the whole business will be managed at the sweet will and pleasure of the Managing Governor. The staff, in one of their memorials, have said about the Directors of the Imperial Bank in Bengal that they cannot exercise any control and the Secretary and the Managing Governors do whatever they like without caring for the Indian Directors on the Board. Unless there is a complete change, the Indian institution, I am afraid, will not get the advantages which are claimed, and that is why it was pressed in the House that, out of the three important top officers, there should be at least two Indians and, if not two Indians, at least one Indian, so that he will take at least a more sympathetic view and there will be some remedy against this and some compensation against these compulsory deposits. Sir, I do not wish to tire the House; I have already promised the Honourable the President not to speak for more than 45 minutes and, though, I have still very much to say, I will keep to my promise; and let me once more, in spite of all these defects, give the credit to the Honourable the Finance Member for the trouble he has taken in piloting this Bill.

Mr. N. M. Joshi: Sir, at the outset, I want to offer an apology for venturing to speak on this Bill without having listened to the important debates that have taken place at various stages. With your indulgence, Sir, I shall also apologise to the House for venturing to speak today, knowing that I am leaving tomorrow morning and may not be here to listen to the remarks which the Honourable the Finance Member may make at the end. I hope the House and the Finance Member will excuse me.

The subject of this Bill is of the greatest importance. It deals with the control of currency and credit of this country and it is bound to affect, for good or for worse, the life of every citizen of this country. It is, therefore, necessary that we should express our views on this important subject very frankly, though I admit that for want of time we should express them as briefly as we can. Let me make it quite clear, Sir, at the beginning, that I am not against a separate organisation being established for the management of the national currency and for the control of national credit. On the other hand, I feel that on the whole it is much better to have a specialised organisation for this purpose. The Legislature, which is expected to control the actions of every responsible or irresponsible Government, is elected on general issues. It cannot be expected to deal with all the subjects concerned with currency and credit with expert knowledge. Nor, if I may say so, need the executive of the Government of India, which is not recruited specially for the management of currency and controlling the credit, necessarily be the only fittest

executive for this work. Thirdly, Sir, I feel that, in modern times, there must be a unification of all the agencies for credit in a country. Not only there should be unification, but there should be greater national control over all the agencies which control the credit in the country. For these reasons, I feel that on the whole if we can devise and establish a proper special organisation for the management of our currency and control of credit, it will be for the better. But let me make one thing quite clear, that although I am in favour of the establishment of a special organisation for this purpose, I strongly hold that, whatever organisation is established, that organisation ought to be responsible to the people of this country as represented in the Legislature and to a responsible ministry. The operations of the Reserve Bank are bound to affect the lives of all the citizens and not the commercial and banking interests only. Therefore, an organisation of this kind must be responsible to the people, and the responsibility to the people can only be implemented through the established Legislature and the responsible Government. I feel that this Bill does not provide adequately for maintaining the responsibility of the Reserve Bank to the people of this country and the Legislature and the responsible ministry that may be established. It is true that some powers have been reserved to the Governor General in Council and also to the Legislature. For instance, the change in the exchange ratio cannot be effected by the Reserve Bank itself; it can be done by the Legislature or by the Governor General issuing Ordinances. There are also some other powers reserved to the Governor General in Council. The Governor General has power to appoint four Directors; there can be also one official Director. The Governor General has also the power to appoint the Governor and the two Deputy Governors. Now, Sir, I am somewhat at a disadvantage and indeed the whole House is at a disadvantage in criticising the provisions of this Bill as regards the powers reserved to the Governor General in Council. I feel that we must examine these provisions from the point of view of the future Constitution, and today we do not know who will take the place of the Governor General in Council in the future Constitution—whether the Governor General in Council will be substituted by the Governor General at his discretion or the Governor General acting on the advice of his Ministers. A great deal depends upon the decision that may be taken by Parliament in this respect. At the same time, admitting for the sake of argument that all the powers which are reserved to the Governor General in Council may be, in the future Constitution, transferred to the Governor General acting on the advice of the Minister—I admit it is an assumption which is not warranted by what is going to happen—but still admitting for the sake of argument that that is done—still I feel that the powers left to the Government of the day, whether it is the irresponsible Government or the responsible Government, are not adequate enough to enforce responsibility of the Reserve Bank to the Legislature, and through the Legislature to the people of this country. I feel that the reason why the Government and, I must now say, this Legislature also has refused to give adequate power to the Government of the day in order to enforce this responsibility of the Reserve Bank to the people of this country and to the Legislature is that they want to avoid politics influencing the work of the Reserve Bank. I am aware that the Round Table Conference has recommended that the Reserve Bank which is to be established should be free from politics. It is true that I was privileged to take part in the proceedings of the Round Table Conference; but let me make it quite clear that I do not agree with that decision of the Round Table Conference. I feel, in the

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first place, that we cannot avoid politics entering into the business of the Reserve Bank entirely. I have already stated that the operations of the Reserve Bank will affect very seriously the interests of all the people in the country, and if the interests of the whole country are to be protected, who is capable of protecting those interests except the Legislature and the responsible Government? Therefore, if you are anxious that the interests of the whole country should be protected, and not only the interests of the 100,000 or 50,000 or even a smaller number of shareholders of the Bank, then you cannot refuse to give sufficient power to the Legislature and to the responsible Government. Secondly, this Reserve Bank may work efficiently, but there is just a possibility—all these agencies being human—that the Bank, either by its own mistakes or on account of circumstances over which it may not have any control, may get into serious difficulties. It is not an unknown thing that even big Central Banks have got into serious difficulties or are on the point of a breakdown. Under these circumstances, who is going to protect the Reserve Bank as well as the interests of the whole country? It is the Government. It will be the Legislature. Even the biggest Central Banks, when they want very big loans from other countries, like the Bank of England wanting a big loan from the United States, or France, must ask for the help of a Government; and if, in the ultimate resort, even the Central Bank has to ask for the help of Government, how can any one refuse to give sufficient control to a Government over that Bank? The operations of the Reserve Bank and the policy followed by the Reserve Bank are bound to affect the commercial and industrial policy of a Government and the commercial and industrial policy of a Government is also bound to affect the operations of the Reserve Bank. I go further and say that the policy of a Government as regards its budgeting and taxation is bound to affect the operations of the Reserve Bank, and, on the other hand, the operations of the Bank are bound to affect the budgetary position of a Government and also their position as regards the effectiveness of taxation. I, therefore, feel that we cannot avoid politics entering into the operations of the Reserve Bank and, as a matter of fact, we are not avoiding politics. After all, we are giving power to the Legislature and to the Governor General to control the exchange ratio; we are giving power to the Governor General in Council for the appointment of four Directors and for the appointment of the Governor. It may be said that most of these powers will be reserved to the Governor General at his discretion and not to the Governor General acting on the advice of the responsible Minister. It is quite true that if these powers are left to the Governor General acting at his discretion, Indian politics may be avoided and kept out of the operations of the Reserve Bank; but can English politics be avoided or kept out from the operations of the Bank? The Governor General acting at his discretion according to the Constitution which is going to be framed is put under the control of the Secretary of State for India; and at least the Secretary of State for India is a politician, responsible to the British Parliament. I, therefore, feel that when we are leaving certain powers to the Governor General in Council, we are accepting the view that at least in certain matters politics cannot be avoided. Then, in order to avoid politics, we are creating a body of shareholders and leaving the appointment of Directors to these shareholders. Do you really keep out politics by these means? Have we taken any steps in the Reserve Bank Bill to see that the Directors that are appointed or elected by the shareholders will have no politics? At

least I have not seen any provision which provides that no one who has taken any part in politics before shall be eligible for being elected as a Director. Moreover, even if you make such a provision, what guarantee is there that a Director after election will not take to politics? You are not, therefore, keeping politics out of the management of the Reserve Bank. What you are doing is that the Bank will have the politics of a small body of shareholders; whatever may be the politics of the shareholders will be the politics of the Directors. I can quite understand if Government say that they do not like the Bank to fall into the hands of communists and socialists; that is at least honest, but to say that they are trying to keep out politics altogether is not quite honest. I feel that the argument that sufficient powers are not given to the Government of the day over the Bank in order to implement the responsibility of the Reserve Bank to the people of this country on account of the desire of the framers of this legislation for the avoidance of politics does not hold any water. If the Reserve Bank is to be made responsible to the people of this country, acting through the Legislature and the responsible Ministers, some steps are essential and they must be taken. The first step I would suggest is that the legislation as regards the Reserve Bank should be entirely in the hands of the Legislature. It is true that this Bill is being passed through this Legislature, but we are told that certain clauses of the Bill will be reserved for control by the British Parliament. Changes in those clauses cannot be made without the approval of the Governor General, which means without the approval of the British Parliament. I feel that, if you reserve any power to the British Parliament or to the Governor General at his discretion, you are to that extent making difficult the implementing of the responsibility of the Reserve Bank to the people of this country.

Then, my second suggestion is that all the Directors of this Bank should be appointed by the people, either acting through the Legislature or acting through the responsible Ministers who will be responsible to the Legislature. I have heard that if you leave the appointment of the Directors to the Ministers, there will be politics and communalism. All the communal difficulties are going to be solved in the future Constitution. The Ministry will be representing the whole country, and, therefore, I do not expect any difficulties so far as communal differences are concerned.

Then, as regards politics entering the sphere of the Reserve Bank, if appointments are left to the Government, I am afraid, we are making too much of it. Although the appointment of Judges is said to be left to the Crown, still these appointments are made by the responsible Ministers in Great Britain. Do the Judges become political by reason of the fact that their appointments are made on the recommendations of the responsible Ministers?

Raja Bahadur G. Krishnamachariar: I think the Lord Chancellor makes the recommendation.

Mr. N. M. Joshi: But he is a Minister responsible to Parliament; he is a politician. I, therefore, hold that there is absolutely no force in the argument that politics will enter into the Reserve Bank if appointments are made by responsible Ministers.

Then, as regards the dismissal of the Directors, that too, I feel, must be left to the Legislature acting through the responsible Ministers. So far

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as the dismissal of Directors is concerned, it cannot be left to any body of shareholders; they cannot do it. It cannot also be left to the Governor General in Council acting at his discretion if the responsibility of the Reserve Bank is to the people of this country, and to the Legislature in this country. I, therefore, feel that the power of dismissing the Directors must rest with the responsible Ministers who will be responsible to the Legislature. Unless this power of dismissing all the Directors is left to the Ministers, there cannot be responsibility of the Reserve Bank to the people of this country. Neither the Government nor the Legislature agree with these proposals. They, in order to avoid politics, want to leave the election of the Directors, at least the main body of the Directors, to a body of shareholders. Admitting for the sake of argument that our object is to keep out politics from the affairs of the Reserve Bank and, therefore, we create a body of electors who, according to our view, will be free from politics,—even then, when we form such a body, we should take care to see that that body is really representative of the whole people of this country, and not representative of one section.

Mr. N. N. Anklesaria (Bombay Northern Division: Non-Muhammadan Rural): That will be politics again.

Mr. N. M. Joshi: The Reserve Bank Bill provides that shareholders who hold shares of the value of Rs. 500 will have a vote for the election of Directors. That means, calculating that one shareholder gets only one share, there will be about one hundred thousand voters. I feel that that number is too small to secure that the whole country will be properly represented

Dr. Ziauddin Ahmad: I have calculated it, and I think that in each register there will be only 400 voters who will actually vote.

Mr. N. M. Joshi: I am quite prepared to admit that the calculations of my friend, Dr. Ziauddin Ahmad, are correct or may be correct.

Mr. N. N. Anklesaria: Question?

Mr. N. M. Joshi: What I was anxious about was to give credit to the Government and to the Legislature, who approve of this Bill, for the highest number. I am not suggesting that the total number of voters will be one hundred thousand; I am suggesting that the highest number will be a hundred thousand. My own estimate is that the total number of voters for the election of Directors will not be more than ten to fifteen thousand. Secondly, it must be remembered that this total number will gradually be reduced on account of the fact that it is open to any shareholder to acquire any number of shares. Now admitting that, in order to keep out politics from the affairs of the Reserve Bank, you create a body of shareholders, I am sure, you will agree with me, Mr. Deputy President, that that body should be so large that it will be properly representative of all sections of the people of this country. If you keep the amount of a qualifying share at Rs. 500, you will keep out the largest bulk of the population of the country from influencing the affairs of the Reserve Bank. By this provision you are going to keep the Reserve Bank in the hands of a few wealthy people, and if the provisions of this Bill operate, as they are expected to operate, the number of people who will control the affairs of the Bank will grow smaller and

smaller. The Bill provides for shares being given to people who are able to put in Rs. 100. The Bill does not even give them a vote. The other day, when I made a remark on this point, the Honourable the Finance Member said that he was offering a good investment to the people. But why not give every inducement to these people in some other way, why in the Reserve Bank? The object of creating a body of shareholders is to create a body of voters and not a body of investors. I, therefore, feel that the Government and the Legislature have failed in their duty to the people of this country by limiting the number of voters to a very small number. They should have provided, if they wanted to create a body of voters, that one man should get one share only. They should have at least provided that, even if a man takes more shares, he should get only one vote. They should have at least provided that it should not be possible for a few men to monopolise all the shares. Even that precaution is not taken. The result of want of precautions in all these matters will be that the Bank will ultimately pass into the hands of a few wealthy people. Mr. Deputy President, I am aware that some provision has been made in the Bill for the first distribution of shares. I agree that at the time of the first distribution the number of shareholders will not be as small as it will be after some years. But there is not sufficient control left for the proper distribution of the shares after the first distribution has taken place. I, therefore, apprehend that, in course of time, on account of the power given to the shareholders to acquire any number of shares, the Bank will pass into the hands of a few people. I am told that although these people may acquire any number of shares, they will not get a large number of votes, and that their votes are limited to ten. It is true that the total number of votes given to one man is limited to ten, but the people who are wealthy are also sometimes very clever. They know that, although the total number of votes they will get is ten,—by purchasing as many shares as they can, they can prevent the coming into existence of other voters. The power given to the shareholders to acquire any number of shares is bound to reduce the total number of shareholders in this country. I, therefore, feel that, supposing the object of the Government and of this Legislature was to keep out politics, they should have taken sufficient precaution to see that the Bank does not pass into the hands of a small number of wealthy people. Unfortunately, they have not done that. Not only that, the present Bill in some respects is even worse than the Bill which Sir Basil Blackett introduced. That Bill had given votes to the shareholders of Rs. 100. That Bill had given one vote to one shareholder. That Bill had placed a limit to the total amount of shares which a shareholder could have. Unfortunately, for us, the present Bill has become worse than the old one. I am quite aware that this change from the old Bill to this new Bill is due to the changes in circumstances. There are some circumstances on account of which the present Bill could become more reactionary than the Bill of 1927. In the first place, there was a Conference in London. Mr. Deputy President, it is not my habit generally to find fault with those people who undertake important and responsible duties abroad, but, at the same time, I may be permitted to remark that those gentlemen who met in London for the discussion of proposals for a Reserve Bank could have been more watchful and could have remembered that they represented there not the small class of people to which they belong, but that they represented there the whole country. My view is, with due apologies to these eminent gentlemen, that they forgot the fact that they represented at the London Conference not themselves, not the small class

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of people to which they belong, but that they represented there the whole country.

Mr. K. P. Thampan: They represented themselves.

Mr. N. M. Joshi: There is another change in our circumstances which has enabled the Government to have this Bill passed, which is more reactionary than the Bill of 1927. There is a change in the character of this Legislature.

[At this stage, Mr. President (The Honourable Sir Shanmukham Chetty) resumed the Chair.]

Mr. President, being a Member of this Legislature, I shall certainly not decry the body of which I am a Member, but I am sure it will be admitted that the present Legislature is not as strong as the Legislature that existed here in 1927. Then there is another change. At that time we had a Finance Member who was trained in the traditions of public service. Today we have a Finance Member who is trained mainly in the traditions of private business. Mr. President, I assure you that I am not making any of these remarks in order to hurt the feelings of any Members. But I feel that these circumstances have somehow or other enabled the Government to place on the Statute-book a measure which is more reactionary than the measure that was placed before the Legislature in the year 1927. I feel that the Reserve Bank which we are going to establish is not the kind of Reserve Bank which will protect the interests of the people of this country. The powers given to the Legislature for amending this Bill are going to be restricted. Under these circumstances, I feel that on the whole it is much better to leave the control of our currency and credit to the present irresponsible Government of India than to the Reserve Bank which is going to be established under this Bill. I am quite aware of the fact that unless the Reserve Bank comes into existence, the Federation cannot come into existence. This threat is held over our head; several other threats are also held over our head. Mr. President, I am one of those who believe, who feel that the sooner India has a Federation including not only the provinces, but the Indian States, the better for us. I am prepared to pay a *reasonable* price for bringing into existence a proper Federation. But let me make it quite clear that I am not prepared to pay *any* price which either the British Government or the Indian Princes demand for the bringing into existence of the Federation. I feel that the Government of India and the Legislature have lost a great opportunity by refusing to bring into existence an organisation which will be responsible to the people of this country for the management of the currency and credit of this country. I feel that a great wrong has been done to this country by accepting the present Bill which leaves an important function of controlling the currency and credit of the country into the hands of a small and wealthy class. Sir, I have done.

Mr. B. R. Puri: Sir, even at the risk of inviting another remark from the Honourable the Finance Member of carrying the debate to very low depths, I feel it is my duty to say a few words at this stage. While dealing the other day with a somewhat controversial amendment, the Honourable the Finance Member accused me of having carried the debate to very low depths. The remarks of the Finance

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Member had an obvious ring of contempt. I did not protest against it at the time, as I thought the chance might come at a later stage. I felt the remark all the more, because it came from a gentleman, who by general consent, enjoys a reputation of being a very civil and polite man. Therefore, I wondered in my own mind whether it was the enormity of my offence which was the cause or the weakness of his case which forced the Finance Member to resort to such tactics which are, however, not unknown to the members of the bar. We know that when a counsel has a weak case, he sometimes goes for his adversary not on merits, but otherwise. What I naturally expected from the Finance Member was that he would take a little trouble to go into the merits and show how and where I had committed the offence of either misrepresenting him or misleading the House by placing any wrong or false data before it. The Honourable the Finance Member, so far as the merits of the case were concerned, kept his lips perfectly sealed and merely contented himself with making the accusation. I, therefore, reiterate all my previous arguments and I stand by them. I am, however, not inclined to take any serious view of it though I must say ordinary courtesy and parliamentary etiquette demanded that the Finance Member should have shown my arguments up by pointing out the flaws in my statement, or in the analysis which I made of his speech from which I was quoting chapter and verse.

Sir, I confess that in my speech I struck some discordant notes and said something which probably was not very pleasing to his official ears, but I am generally guilty of that. If he wants to hear pleasant things, there are plenty of people in this House, sitting not far from me, who can always be depended upon for that. I am here to place before him the bitter and the true side of the question, and to let him know how my countrymen outside think and feel about the measure in question. While, therefore, there are scores of people who can tell him very pleasing things, surely the Finance Member ought not to grudge if a few people are left out to tell him occasionally bitter realities. But as I have already said, I am quite prepared to wipe this incident out of my mind and to take a philosophic view of it. I know that the Finance Member has had to pass through a very strenuous time, and if, in the stress of work, he has given vent to something by which he never intended to offend anybody, I am prepared to accept that assurance but, at the same time, I wish that the fact may be placed on record.

Coming to the merits of the Bill itself, speaking on a third reading is like playing the funeral march. It seems to me that we are now doing nothing better than reading the burial service. Now, Sir, that we have got to the end of our labours and the land is in sight, it would be appropriate to recall some of the outstanding incidents of this long drawn voyage. I confess that the Commander has brought the ship to a port, although it has not been the port where we intended to reach. However, as things stand, we have to look back and see how we have reached the wrong goal. The observations which I am now going to make are not with any hope of carrying the House with me, because the House has already accepted certain views. The sole object I have in view is to place before the House certain incidents explaining how we have reached our present conclusions. This aspect has already been touched upon by my Honourable friend, Mr. Pandya, and with your indulgence I would also like to say a few words on that point. Sir, although the labours of the Finance Member have been crowned with success, I am constrained to say that this success has been achieved not on the merits of the Bill,

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but a great deal of it has been contributed by men who should have been bold enough to stand up against this measure and who should have opposed it tooth and nail.

Sir Cowasji Jehangir: Oppose it against their convictions?

Mr. B. R. Puri: I will be dealing with their convictions in a minute. Sir, I must confess that it has been a truly humiliating sight to see Leader after Leader vying with each other, jumping on their feet to oppose amendment after amendment and support Government. Sir, at times they appeared to be out-Schustering Schuster, and the only remark under the circumstances which one could think of was: "God save us from our friends". Sir, if those, on whom we reckoned, on whom their Party members reckoned, on whom their countrymen outside reckoned, had not actually crossed the floor of the House and supported the Government, we would not have found ourselves in this helpless position and the Bill would not have been passed in even more sweeping terms than the Government at one time intended. Sir, it seems to me that the real thanks of the Honourable the Finance Member are not due to these gentlemen or to any particular set of them, they are due to the system of the Government under which alone such exhibitions are possible. Sir, I regret to say that this has been a wholly unequal fight, and I would boldly assert that if the Finance Member were to put aside the weapon of patronage which he possesses, I would challenge him if he could carry through a single clause of this Bill, let alone the whole Bill in its present form. Sir, let us hope, what has been the loss of the country has resulted, or will result in some sort of gain to the individuals, for it is an ill wind which does good to none.

Sir, in this tragedy there has been a comic chapter also, and, in order to appreciate the nature of it, I shall have to make a few introductory remarks. As far as I am aware, there are, Sir, three different kinds of supporters of the Government. *Number one*, those who owe their existence in this House to the Government, i.e., the nominated Members. One can fully appreciate their position, and they must of necessity support the Government. Then there is the *second class*, namely those who by some past traditions, either on account of past favours or future expectations, have thrown in their lot with the Government for good or bad. I can appreciate them also; for I think it requires a certain amount of courage to do that. Then comes the *third class*. These are the periodical supporters of the Government who, during certain seasons, come forward and undertake to help the Government regarding certain measures. They are always open to conviction. "Conviction" would be the best word in the circumstances. But, out of this third class, there comes out another off-shoot and this sub-class are very shrewd people; they have undertaken to support the Government with reference to this measure and they want to please their countrymen also. They have sided with the Government and relieved it to such an extent that, instead of Government meeting the arguments of the Opposition, they have been on their feet to shut up their colleagues, to gag them, to choke them and to perform all sorts of trick. But, again, in order to satisfy their own people also, they stand

up and put up a fight—I will not say “show of a fight”—on behalf of the people against the Government.

Captain Sher Muhammad Khan Gakhar: Don't you give them compliments?

Mr. B. B. Puri: I am giving them compliments; you try and follow. Now, Sir, we have had an interesting example of this on the present occasion. We have seen some Honourable Members who have fought us every inch on behalf of the Government, but on one important question, namely, the ratio question, they have taken up the opposite view. They were promptly called to order by the Government. They kept the House at bay practically the whole of a day. The bulk of the time of the House on that day was taken up by their speeches. They were reminded by the Leader of the European Group that they were going back on their own signatures. The Leader of the European Group openly accused them of dishonesty of purpose. I am borrowing his words.

Sir Leslie Hudson (Bombay: European): I did not use those words.

Mr. B. B. Puri: Those were the words which appeared in the *Statesman*, and they were not contradicted, and I repeat them. I cannot say if in the meantime he has corrected his speech and substituted some other suitable words.

An Honourable Member: He meant “absence of honesty of purpose”.

Mr. Amar Nath Dutt (Burdwan Division: Non-Muhammadan Rural): Absence of honesty is not dishonesty!

Mr. B. B. Puri: In any case, so far as I remember, these were the very words used. I may be in a position to point out to my Honourable colleague the issue of the *Statesman* containing his speech. Now, Sir, more or less the same accusation was made against those Honourable colleagues of mine by the Honourable the Finance Member, but perhaps not in that open and palpable form. My friend has got a very sweet way of saying nasty things, he always puts plenty of sugar-coating on the top of his pills. While expressing more or less the same idea, he said . . .

The Honourable Sir George Schuster: My Honourable friend need expect no sugar-coating when I reply to him.

Mr. B. B. Puri: No, I fully expect that, but if he had given the indication to me earlier, then I might have answered him in the same strain. However, I am not going back again to the same point. My Honourable friend would be perfectly welcome even now to meet my arguments in any possible language he chooses. If he gets this opportunity now, I might get an opportunity later. So this will be a running account which we have opened now; it will be a cash credit account with balance sometime on one side or sometime on another. I am not afraid of that.

Now, Sir, I was dealing with the conduct of certain Honourable colleagues as it appeared to the Leader of the European Group and the Honourable the Finance Member. What appears to have been done was that these good friends of ours had been taken all the way to Europe and

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there they were asked to take part in certain deliberations. They did not go, as far as we remember, as our representatives. We never chose them; we never elected them. Therefore, so far as this House is concerned, we are not bound by their opinions.

Mr. Muhammad Yamin Khan (Agra Division: Muhammadan Rural): Was the Joint Committee your representative?

Mr. B. R. Puri: No, neither was Mr. Yamin Khan. So far as these gentlemen were concerned, as I was saying, they did not go there as our representatives; they did not carry with them our views; we were not consulted; we did not know anything about their selection. If they were selected, they were selected on their own merits or demerits. And so far as the London Committee before which these deliberations took place is concerned, however helpful, however instructive their views or their conclusions may be, this House as a legislative body is not bound by such conclusions of this or any Committee, no matter how high or lofty its position. What legal position this Committee has *qua* this House, I have not been able to discover any. As I have said, it may carry with it all the executive authority and weight, it may influence the decision of the Parliament which has to grant the Charter of our reformed Constitution, but, from the strictly legal point of view, it has no status. At any rate, I have not been able to discover any; nor has any light, so far, been thrown on this question. I venture to think its findings and conclusions are not even relevant so far as this legislative body is concerned. Therefore, we are neither legally nor morally bound by the views expressed by our worthy colleagues nor by the findings and conclusions of this Committee. The findings of this Committee were embodied in a report which was drawn up in London and our colleagues in a moment of weakness appended their signatures to this report. And, now, when they stood up in this House and took up the opposite attitude, they were at once pulled up and asked to honour their signatures. They were told more than once in clear and emphatic language that honesty, integrity, and morality, all demanded that they should not go back on their own signatures. Sir, I submit that these gentlemen had no business to go and create a lien on their opinions and hypothecate their votes beforehand when they knew that the matter was to come up before this House at a later stage. I am not sure if it does not amount to contempt of this House. We are being called upon to legislate in a House where a section of it has already alienated in writing their opinions and views and stand committed to them. Look at it from another aspect—suppose it was a judicial matter and *qua* the subject-matter of the case, the judge is found to have expressed his opinion beforehand, he will be debarred from handling and dealing with the case. If it is a sound principle there why not here? May I, therefore, respectfully ask these worthy gentlemen if they had any excuse for committing themselves to certain opinions behind our backs without knowing what views or arguments this House might be inclined to adopt hereafter. The most convincing arguments may be placed before them in this House and, even if inwardly they are inclined to agree with those views, still they would feel handicapped in endorsing such views. They would be afraid, nervous, and hesitant to adopt and accept such views being different from those to which they have given their assent in writing.

Captain Sher Muhammad Khan Gakhar: Are you against the appointment of these Committees?

Mr. B. B. Puri: I am not talking of Committees in general. I am only dealing with the particular Committee that sat in London regarding the Reserve Bank. Of course, the Honourable the Finance Member has already drawn the attention of the House to the fact that each one of the three Honourable gentlemen has put forward a different plea for his having agreed to the opinions embodied in that report. I am not holding any brief either on behalf of the Government or on behalf of these Honourable Members.

Diwan Bahadur A. Ramaswami Mudaliar (Madras City: Non-Muhammadan Rural): That is obvious.

Mr. B. B. Puri: Nor are we called upon to meticulously go into the merits and demerits of the charges and counter-charges that have been levelled by the Government and these Honourable Members against each other. But I must say that it was wholly wrong on the part of all concerned, Government or the Members who were responsible for bringing about this state of affairs. To get hold of important and leading men, to take them 6,000 miles away, and get them committed to certain opinions in advance, regarding an important measure coming up before the House is a most unwarranted procedure. Let us examine these Honourable Members' defence which they have put forward. They say, they stand by their signatures and claim that they have carried out the report in spirit if not in letter. Sir, when a plea of this kind is put forward as a shelter, one does not feel very happy about it—as it carried with it its own inherent weakness. The mere fact that they are under the painful necessity of finding some satisfactory explanation to relieve them out of this awkward position into which they have placed themselves is, I am afraid, sufficient to show that the attempt to please both parties has not succeeded. Sir, it is obvious that this course has greatly handicapped our Honourable colleagues who have been made incapable of rendering that service to this House and their country which was expected of them. Now, Sir, from the point of view of the Honourable the Finance Member, it appears that he has been badly let down. He did not expect this treatment from these worthy gentlemen and he has rightly been disappointed in this connection. Some people might be inclined to say, "served him right", but that would be unkind, I think the sympathies of the House should go to him.

The Honourable Sir George Schuster: I do not need the Honourable Member's sympathy.

Mr. B. B. Puri: Nonetheless, I must offer. Etiquette demands that I should. It is true, he does not need my sympathies, but may I venture to make one or two respectful suggestions. Let him make a note of it. I would suggest that in future he should make a better selection.

Sir Cowasji Jehangir: Send Mr. Puri and give him a holiday which he wants badly.

Mr. B. B. Puri: This being a commercial subject, it will be more appropriate to have from the class to which my Honourable friend belongs.

Sir Cowasji Jehangir: My Honourable friend knows how to put the fees into his pocket and not attend the House.

Mr. B. B. Puri: I will deal with my Honourable friend presently, but may I ask the Finance Member, why take such doubtful material and carry it all the way to England and then at the end find yourself in an embarrassing position.

Mr. F. E. James (Madras: European): He did not say doubtful material.

Mr. B. B. Puri: Why take such friends who are doubtful tricks when you can get other friends in the House who are sure tricks? These Honourable Members are tricks only if the finesse comes off. Sir, in this connection I am reminded of a story which would not be inappropriate at this place. The present case is analogous to a man who walked up to a fish-monger's stall pretending to buy a fish, and while the fish-monger momentarily turned his attention in other direction, he quietly picked up a fish and put it into his pocket and then walked away, but the tail of the fish was sticking out. The fish-monger detected it and called him back and said: "Look here, young man, I have no intention of quarrelling with you over this affair, but I just want to give you a tip and, that is, next time you want to take a fish in this way, either take a smaller fish or have a longer pocket made in your coat. (Laughter.) So, next time the Honourable the Finance Member wants some fish from this stall, let him take smaller ones or else have a much bigger pocket, so that their tails do not keep sticking out. The next suggestion I would place before the Honourable the Finance Member—and which, I am sure, his commercial instinct would at once appreciate,—is to have these worthies in future insured, a firm of political underwriters might be willing to take up this proposition. Of course the premium would differ. The premium, for instance, on an Honourable friend like Mr. Yamin Khan would be very low, while the premium on my Honourable friend, Sir Cowasji Jehangir, would be comparatively higher, and in this way you minimise your risk. My final suggestion is that in future, in addition to getting their signatures on these reports, get a separate note of hand from each of them promising that on their return to India they shall not change their views for political, religious, communal, social or industrial or business grounds. Have that in writing. If these precautions had been taken by the Honourable the Finance Member, I am sure, there would not have been so much mutual embarrassment. These worthy colleagues of ours have not pleased the Government, and certainly they have not pleased us. They have a midway position, neither here nor there. As the saying goes:

*"Na Khudda hi milla
Na risal-i-Sanam
Na idhar ke rahi
Na udhar ke rahi."*

The next point that I propose to take up is that, in passing this Bill, we have not been free agents to legislate in the manner in which we would have liked. Certain circumstances are so intimately connected with the presentation and the manner in which this Bill has been launched that we feel and feel strongly that we have been seriously handicapped:

Sir, it is no secret that the Bill was for all practical purposes drawn up and passed elsewhere 6,000 miles away from us, and the present proceedings are merely intended to obtain our seal to it by way of ceremony. Sir, the first thing which we were told was that "here is a measure which you have got to pass, because upon the passing of this measure would depend the granting of the future Constitutional Reforms for which you are looking forward". The next thing we were told was that we had to pass this Reserve Bank Bill, not in the terms which we might think proper, but a Reserve Bank of a particular kind. They want no State Bank, they do not want any discrimination so far as Indianisation is concerned, they do not want any interference with the 1s. 6d. ratio and, lastly, that when we have finally passed such a Bill, it will be practically unalterable except when the Governor General in his discretion thinks fit to do. This, Sir, is a brief description of the Bill which we are passing today. These were the conditions, this was the atmosphere in which this Bill is placed before this House. From one step to another we have been forced not only to pass this Bill, but we have been dictated to pass it in the prescribed form.

Mr. President (The Honourable Sir Shanmukham Chetty): The Chair proposes to adjourn the House in ten minutes, i.e., at ten minutes to five.

Mr. B. R. Puri: This, Sir, I am constrained to say is not "legislating" by any means, I call it by another expression, it looks more like forced feeding—because the Bill has been thrust down our throats.

In this gloomy picture, there have been a few redeeming features also; and the first and foremost has been the single-handed effort of my Honourable friend, Dr. Ziauddin. He has, we must gratefully acknowledge, kept the enemy at bay day in and day out. From morning till evening he has been at his post and has put in a stupendous amount of labour in fighting against great odds and it is no small satisfaction to us to know that at least there has been one Honourable Member amongst us who, despite a variety of difficulties, right and left of him, kept up his steady fire. The only remark of his in which I did not agree with him was when he described and called the Imperial Bank as "cheats" and "swindlers". I am not sure, if my Honourable friend really meant to use that language towards an institution of a long standing occupying a premier position in the country. I may assure him that I am not a debtor of the Imperial Bank, nor do I intend to apply for a loan. But I was sorry to see that an otherwise flawless inning should have been marred by these one or two observations which, I think, were not quite justified. The next notable effort was that of my Honourable friend, Mr. Sarma, if anything, it deserves even greater credit, because it comes from a quarter from which we ordinarily do not expect such a contribution. I am sure, the value and merit of that amendment is not a bit reduced on account of its sex inferiority. The House will remember that my Honourable friend, Mr. Yamin Khan, described it as a "female amendment". Sir, I am not sure whether it is a female amendment or a male amendment, or both or neither; but I am quite certain that its merit does not depend on its sex. Nor, let me assure the House, is its value affected by the fact that Mr. Sarma's esteemed Leader did not think it fit and proper to vote with his devoted Pro-Leader. Sir, if anything, the value of his amendment in my mind stands much more enhanced on account of the difficulties which had been put in his way. I go a step further and say that the value of

[Mr. B. R. Puri.]

"this amendment is still further enhanced by the sarcastic criticism levelled against it by the Honourable the Finance Member himself when he said that Mr. Sarma was placing in the market goods merely as a "middle-man", that these goods were not produced by him, but that they had been placed at his disposal by a well-known Calcutta firm which had been very much in evidence in and about the Assembly. Sir, assume that this charge is true. Does the Honourable the Finance Member seriously contend that that is any answer and that the moment he has said that the amendment stands demolished? We all know that the Finance Member is a gifted gentleman,—unfortunately every one is not so gifted and self-contained as he is. He needs no assistance from any quarter. We know that he has really been piloting this Bill single-handed, unassisted by the army of men who constitute his Secretariat. We know that an expert from the Imperial Bank who has sat throughout this debate—not very far from where the Honourable the Finance Member himself sits—has been taking notes, for the benefit of Dr. Ziauddin and not for the benefit of the Honourable the Finance Member. If it is a sin to borrow the opinions or expert knowledge from those who have made a life long study of financial subjects, Mr. Sarma has probably committed that sin, but surely, Sir, it did not lie in the mouth of the Honourable the Finance Member who, even as he is sitting now in the House, is being assisted by more than one expert official in the discharge of his duties—but we do not blame him for it: we are not making a grievance of it: under the circumstances, even if ten men were by his side, it would be perfectly legitimate, it would be perfectly honest. I say, if Mr. Sarma has been supplied with the material by the agency to which the Honourable the Finance Member has referred, that should go in his favour, inasmuch as it shows that he has taken the care not to launch his own inexperienced opinions before the House, but has taken the precaution of consulting and collaborating with men who have got a right to speak on these subjects and then placing these matters before the House.....

Mr. President (The Honourable Sir Shanmukham Chetty): Does the Honourable Member intend to speak much longer?

Mr. B. R. Puri: Yes, Sir: I may have to speak for some time more.

Mr. President (The Honourable Sir Shanmukham Chetty): The House now stands adjourned till tomorrow morning at 11 o'clock.

The Assembly then adjourned till Eleven of the Clock on Friday, the 22nd December, 1933.

LEGISLATIVE ASSEMBLY.

Friday, 22nd December, 1933.

The Assembly met in the Assembly Chamber of the Council House at Eleven of the Clock, Mr. President (The Honourable Sir Shanmukham Chetty) in the Chair.

QUESTIONS AND ANSWERS.

NON-DEPUTATION OF TELEPHONE OPERATORS FROM THE PATNA DIVISION TO THE ALIPORE STORE YARD.

1475. ***Mr. S. G. Jog:** (a) Will Government be pleased to state the number of telephone operators, circle by circle, who have been deputed to the Telegraph Store Yard, Alipur, in order to receive Phone Inspectors' training?

(b) Is it a fact that uptil now not a single telephone operator has been deputed from Patna Division to receive Phone Inspectors' training at Alipur Store Yard? If so, why?

(c) Did any operator in the Patna Division ever apply for his deputation to the Alipur Store Yard in order to receive Phone Inspectors' training there? If so, what reply was given to him?

The Honourable Sir Frank Noyce: (a) Government regret that precise information is not readily available. I may, however, point out that ordinary selection for training at the Alipore Storeyard is made from telephone inspectors and not from operators.

(b) It is a fact that since 1930, the period for which figures are readily available, no telephone inspector or operator has been deputed from the Patna Division for such training as none was considered suitable by the Head of the Circle.

(c) Government have no information.

RETRENCHMENT IN EACH COMMAND OF THE MILITARY ACCOUNTS DEPARTMENT.

1476. ***Mr. Jagan Nath Aggarwal:** (a) Will Government please state how many clerks, accountants and officers were retrenched in each Command of the Military Accounts Department as a measure of economy in the Army expenditure during 1931 and 1932 under the Special Retrenchment Rules?

(b) Will Government also please give similar information about retrenchment made in the Military Accounts Department in 1933 under ordinary rules under Civil Service Regulations, Article 465-A, including persons who have proceeded on leave preparatory to retirement under these rules and the period of leave allowed in each case with total leave due to them?

(c) Will Government please lay on the table a list of all the personnel retrenched under parts (a) and (b) above, with their ages, and in the case of those under (b) their position on the seniority list, their last pay and the dates on which they attained the maxima of their grade, as compared with the seniority, the pay and the dates of attainment of the maximum of their grade of the unretrenched men older than the former?

The Honourable Sir George Schuster: (a) No retrenchment under the Special Retrenchment Rules was carried out in the Military Accounts Department during the year 1931.

A statement showing the retrenchment effected during the year 1932 is placed on the table.

(b) Nine Deputy Assistant Controllers of Military Accounts were retired by Government in special circumstances under the powers vested in Government by Article 465-A, Civil Service Regulations. The Honourable Member's attention is drawn in this connection to my reply to his starred question No. 1128. These nine officers were not retired as a measure of economy, i.e., their posts were not abolished. A statement is placed on the table showing the amount of leave granted in each case. Information regarding total leave due is not available.

(c) For reasons of public policy and in the men's own interests Government are not prepared to publish the names of retrenched personnel. Further, as regards the officers referred to in part (b), the details asked for are not relevant, since they were not retired under the Retrenchment Scheme and the reasons for their retirement are not connected with their age or rate of pay.

Statement showing the number of clerks, accountants and officers retrenched from the Military Accounts Department as a measure of economy in the Army Expenditure during the year 1932 under the special Retrenchment Rules.

Northern Command.			Eastern Command.			Southern Command.			Western Command.			
C.M.A. C.M.A. and P. N. C.		Cr. of R.A.F. Accs.	C.M.A. E. C.	C.M.A. Burma, Calcutta.	C.A.F.A. S. C.	C.M.A. Marine Accs.	C.M.A. W. C.	M.A.G.'s Total. Office.				
<i>Clerks—</i>												
(i) Retired voluntarily	.	20	23	6	20	10	35	20	3	6	1	153
(ii) Retrenched	.	35	26	4	32	7	32	32	4	12	..	184
												337
<i>Accountants—</i>												
(i) Retired voluntarily	.	19	8	1	5	3	7	15	2	3	..	63
(ii) Retrenched	.	10	5	2	7	..	5	13	..	3	..	45
												108
<i>Officers—</i>												
(i) Retired voluntarily	.	..	1	..	1	1	3	2	..	..	..	8
(ii) Retrenched	.	..	..	..	..	..	..	..	..	..	..	..
												8
<i>Grand Total</i>												463

QUESTIONS AND ANSWERS.

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Statement showing officers of the Military Accounts Department who retired under Article 465-A, Civil Service Regulations.

Period of leave granted.	Remarks.
1. Combined leave for one year 1 month and 24 days consisting of privilege leave for 1 month and 9 days and balance on half average salary.	Nos. 1, 2 and 7 were asked to seek permission to retire after taking as much privilege leave and/or other leave due to them as they may desire, as their service already entitled them to pension at 30/60th of their average emoluments.
2. Combined leave for 8 months, 4 months being privilege leave and the balance on half average salary.	
3. Combined leave ex-India for 11 months and 24 days, the first 2 months and 17 days being privilege leave the next 5 months and 14 days furlough on average salary and the balance on half average salary.	
4. Combined leave for 1 year 9 months and 15 days, the first 4 months being privilege leave and the balance furlough on half average salary.	Nos. 3, 4, 5 and 6 were asked to apply for leave from such date as will give them at the conclusion thereof 30 years pensionable service.
5. Combined leave for 2 years consisting of 3 months and 26 days privilege leave and the balance furlough on half average salary.	
6. Combined leave for 2 years consisting of privilege leave for 3 months and 18 days and balance furlough on half average salary.	
7. Combined leave from 1st October 1933. Period under reference.	
8. Combined leave for 3 months, the first 1 month and 25 days being privilege leave and balance furlough on half average salary.	
9. Combined leave for 3 months, the first 1 month and 5 days being privilege leave and balance furlough on half average salary.	

Mr. Jagan Nath Aggarwal: When are the reasons that led to their being retrenched? Was it due to inefficiency or anything of the kind?

The Honourable Sir George Schuster: The reasons were reasons of public policy; presumably the reasons were roughly speaking inefficiency.

Mr. Jagan Nath Aggarwal: Was it discovered only in 1933 that they were inefficient after having put in so much service?

The Honourable Sir George Schuster: Presumably.

PAY AND EMOLUMENTS OF THE FUTURE ENTRANTS TO THE SUPERIOR AND SUBORDINATE SERVICES.

1477. Mr. Nabakumar Sing Dudhoria: (a) Will Government be pleased to state whether it is a fact that they are in receipt of the final sanction from the Secretary of State for India as to the pay and emoluments of the future entrants into the superior and subordinate services both at the centre and in the provinces?

(b) When did the scheme receive the approval of the Secretary of State?

(c) Will Government please state the reason why publicity to that scheme is being held up?

(d) By what time are Government likely to give publication to the scheme adumbrated?

The Honourable Sir Harry Haig: (a) to (d). The Honourable Member seems to be under some misapprehension. The Government of India have already under their own powers announced the rates for future entrants to most of the superior and some subordinate central services in the Home Department Notification No. F.-386/33-Ests., dated September 22, 1933, which was published in the Gazette of India on September 23, 1933. The rates of pay of most of the other subordinate central services have also been decided upon and the necessary executive orders are being issued in regard to each service by the administrative Department concerned. The cases of the remaining superior and subordinate central services are still under consideration. The Provincial Governments have power to revise the rates of pay of the services under their own administrative control without reference to the Government of India or to the Secretary of State and these Governments have made or are making use of these powers.

TRIPARTITE TEXTILE CONFERENCE HELD AT SIMLA.

1478. ***Mr. Nabakumar Sing Dudhoria:** (a) Will Government be pleased to state whether the tripartite textile conference held at Simla in September-October last under the aegis of the Government of India consisted of representatives of Lancashire, Japanese, and Indian Textile interests?

(b) If so, did the representatives from Lancashire possess any *de facto* representative character of their Home Government?

(c) Did the Indian Government treat the representatives from Lancashire and Japan on the same footing?

The Honourable Sir Joseph Blore: (a) The Honourable Member would seem to be labouring under a misapprehension. As I have lately explained to this House, the tripartite textile conference referred to was entirely an un-official matter between the representatives of the commercial and industrial interests of India, Japan and Lancashire and the Government of India have had no concern whatsoever with it.

(b) No, Sir. They represented the British cotton textile industry.

(c) Yes.

SALE OF PRINTED COPIES OF THE EVIDENCE OF WITNESSES EXAMINED BY THE JOINT COMMITTEE ON THE RESERVE BANK OF INDIA BILL IN DELHI.

1479. ***Mr. Nabakumar Sing Dudhoria:** (a) Will Government be pleased to state whether it is a fact that printed copies of the depositions of witnesses examined before the Joint Select Committee on the Reserve Bank Bill in London are being sold in the Stationers' Hall in London?

(b) If the answer to part (a) be in the affirmative, do Government propose to treat the evidence of expert witnesses, who deposed before the Joint Select Committee on the Reserve Bank Bill in Delhi in October—November last, in the same way?

The Honourable Sir George Schuster: (a) Government have no information.

(b) I have had proof of the evidence tendered by witnesses before the Joint Committee sent to them for correction and approval and I have at the same time made enquiries from these witnesses if they have any objection to copies of the evidence being made available to the Legislature. Replies have not yet been received from all the witnesses.

LIFE OF THE CENTRAL LEGISLATURE.

1480. ***Mr. Nabakumar Sing Dudhoria:** (a) Will Government be pleased to state whether it is a fact that the present Central Legislature will be dissolved after the Session in September next?

(b) Will new elections take place under the present rules?

(c) How long is it expected that the life of the next Legislature will last?

The Honourable Sir Brojendra Mitter: (a) Under section 63D of the Government of India Act the matter is one for the decision of the Governor General. In the absence of resort by His Excellency to either of the alternative powers conferred upon him by clauses (a) and (b) of the proviso to that section the existing Legislative Assembly will expire on the 14th January 1934, while the existing Council of State will remain in being till the 10th February 1936. In respect of the Legislative Assembly His Excellency's intentions have been announced in the message to this House which was read here on the 6th March, 1933. The Honourable Member's attention is also invited to the statement made by the Honourable the President in connection with the reply to Mr. Lalchand Navalrai's starred question No. 1131 which was answered on the 23rd November, 1933. Government do not anticipate that occasion will arise for His Excellency to consider dissolution of the Council of State in 1934.

(b) and (c). I am not in a position to give any information on these points.

MEMORIAL FROM THE MEMBERS OF THE EX-ROYAL FAMILY OF THE EMPERORS OF DELHI.

1481. ***Maulvi Sayyid Murtuza Saheb Bahadur:** Have Government received any memorial from the members of the Ex-royal family of the Emperors of Delhi, requesting them to elevate their status in the new Constitution by increasing their poor and inadequate pension? If so, has any consideration been given to the memorial? If not, do Government propose to consider the memorial favourably and redress their grievances?

Mr. H. A. F. Metcalfe: The answer to the first part of the question is in the negative, and the second and third parts do not, therefore, arise.

PERSONS NOMINATED TO THE INDIAN CIVIL SERVICE.

1482. ***Sardar Sant Singh:** Will Government be pleased to state how many persons belonging to Hindu, Sikh, Muslim, Christian, Anglo-Indian and other communities respectively, have been appointed to Indian Civil Service by nomination since the present system of holding simultaneous examinations in England and India was started?

The Honourable Sir Harry Haig: I lay a statement on the table. I may add that an examination for the Indian Civil Service has been held in India since 1922, but it is not held simultaneously with the examination in England.

Communities from which candidates have been appointed to the Indian Civil Service by nominations since 1922.

Hindus	2
Muslims	26
Anglo-Indian	1
Indian Christians	3
Sikhs	4
Burmans	11
	47

PROMOTIONS TO THE SUPERIOR STAFF IN THE MILITARY ACCOUNTS DEPARTMENT.

1483. ***Mr. S. C. Mitra:** (a) Will Government please state whether it is a fact that:

- (i) a number of vacancies on the superior staff of the Military Accounts Department is filled by promotion of Deputy Assistant Controllers of Military Accounts and Assistant Financial Advisers, Military Finance;
- (ii) of the ten officers promoted to the superior staff during the last ten years, only three were Indians, mostly on the verge of retirement;
- (iii) selections from the Military Finance branch were stopped since European and Anglo-Indian Assistant Financial Advisers were not available in that branch;
- (iv) junior Anglo-Indian and European Deputy Assistant Controllers of Military Accounts have been promoted to the superior staff while the claims of senior Indians have been overlooked; and
- (v) a very junior European Deputy Assistant Controller of Military Account (Mr. Farmer), who had been holding a non-gazetted appointment only a year ago, is to be promoted to the superior staff in the near future in supersession of over sixty Indian Deputy Assistant Controllers of Military Accounts?

(b) If so, will Government be pleased to state the reason for this racial discrimination?

The Honourable Sir George Schuster: (a) (i) Yes. Since 1923 the method of recruitment has been to fill 2/3rds of the vacancies by direct appointment of statutory Indians on the results of a competitive examination and 1/3rd by promotion from the sources mentioned.

(ii) The facts are not quite correct. From 1923 to date two Indians and 13 Anglo-Indians or Europeans have been appointed by promotion. In the same period 25 officers have been directly appointed, of whom 23 have been Indians. Having regard to the duties of officers of the Military Accounts Department in peace and in war a leaven of officers with practical Army experience is invaluable. Under the present system of recruitment the only source from which this element can be drawn is a limited number of Europeans in the subordinate grades who have served in the Army. Advantage has, therefore, been taken of this temporary circumstance to select suitable persons for promotion. This source is now almost exhausted.

(iii) The answer is "No", both to the question and to the implication. Assistant Financial Advisers are still eligible for selection and the present staff includes one European and one Anglo-Indian.

(iv) No individual has any *claim* to promotion to the Superior Service. The criterion for selection is not seniority but the possession of the qualities requisite for an officer of the Superior Service. Moreover, experience has proved that better value is obtained by selecting promising juniors for promotion rather than elderly officers who have only a few more years' service to put in.

(v) Subject to the concurrence of the Public Service Commission it is intended to promote simultaneously two individuals, one of whom is the officer named.

(b) The answer to the suggestion of racial discrimination in this selection is that the other officer selected is an Indian who is even more junior than the officer named.

CATEGORIES AND PAY OF NON-INDIAN CLERKS EMPLOYED IN THE ARMY HEADQUARTERS.

1484. ***Mr. P. G. Reddi:** (a) Is it a fact that there are five categories of non-Indian clerks employed at Army Headquarters, *viz.*, (i) British military clerks, (ii) British civilian male clerks, (iii) British female clerks, (iv) Anglo-Indian male clerks, and (v) Anglo-Indian female clerks?

(b) What is the average pay of these five categories?

(c) What is the average pay of Indian clerks?

(d) Is it a fact that British clerks never start service at Rs. 75 per mensem? Is this rate exclusively reserved for Indian and Anglo-Indian male clerks?

Mr. G. R. F. Tottenham: (a) Personnel of the categories mentioned are employed at Army Headquarters, but there is no official classification of this kind.

(b) and (c). The average pay depends upon the division in which the clerk, whether British, Anglo-Indian, Indian, male or female, happens to be actually serving. The average pay of a special grade second division clerk is Rs. 289 per mensem, of a second division clerk ordinary grade Rs. 177 per mensem, and of a third division clerk Rs. 133 per mensem:

(d) Except for the few men recruited from British regiments and employed as second division clerks and also for lady clerks of all nationalities the initial rate of pay is the same for all, namely, Rs. 90.

TECHNICAL MILITARY CLERKS IN THE MASTER-GENERAL OF THE ORDNANCE BRANCH, ARMY HEADQUARTERS.

1485. **Mr. P. G. Reddi:** (a) Is it a fact that British military subordinates as they become surplus to arsenal establishments are dumped in the M. G. Os. Branch at Army Headquarters, and are given a special rate of pay under the designation of technical military clerks?

(b) What is the present number of these technical military clerks in the M. G. O's office?

(c) Is it a fact that the average pay of a military technical clerk is Rs. 590 per mensem (including an allowance of Rs. 80 for house-rent)?

(d) Is it a fact that the pay of an Indian clerk for doing identical work is Rs. 133 per mensem (inclusive of all allowances)?

(e) Is it a fact that a recognized authority on establishment matters—Mr. Macdonald, now Deputy Secretary of the Army Department—made the observation in his report on Army Headquarters ministerial staff in 1929 that the work done by these military clerks (miscalled technical clerks) could be performed equally well, if not better, by intelligent routine clerks?

(f) In view of Mr. Macdonald's opinion will Government please state the justification for the continued employment of these so-called technical clerks in the M. G. O's office?

(g) Is it a fact that the entertainment of one particularly highly paid of these military clerks in the M. G. O. Branch has involved, on financial ground, the suspension of one post of Superintendent, causing tremendous grievance to the civilian staff of the office?

(h) Do Government propose to take the earliest opportunity to retrench these highly paid surplus men and relieve the taxpayers of their burden? If not, why not?

Mr. G. R. F. Tottenham: (a) Certainly not, Sir. Technical clerks are only employed to meet the actual requirements of the Army Headquarters and they receive the same pay, allowances and other concessions as would be admissible to them if they were employed in an arsenal.

(b) Eleven.

(c) No, the average cost of a technical clerk is Rs. 510 per mensem, inclusive of any allowances on account of house rent.

(d) No, a clerk without technical knowledge could not do the work on which the technical clerks are employed.

(e) No, Mr. Macdonald's remark had reference to one individual only and that individual was immediately replaced by a routine clerk.

(f) In view of the reply to the preceding part of the question, this question does not arise.

(g) The technical clerk referred to would be necessary whether there was a regular ministerial superintendent in the section or not. His employment in the dual role of superintendent and technical clerk followed Mr. Macdonald's recommendations and results in a saving.

(h) No, because they are not surplus men.

**ESTABLISHMENT ROLLS OF THE MASTER-GENERAL OF THE ORDNANCE BRANCH,
ARMY HEADQUARTERS.**

1486. ***Mr. P. G. Reddi:** (a) Is it a fact that the M. G. O. has cancelled a previous order under which the establishment rolls of the main office and Provision section were to be amalgamated.

(b) Is it a fact that a deputation of Indian clerks of the branch requested the Officer Supervisor to secure them an interview with the M. G. O. in this connection, and that this request was not granted?

Mr. G. R. F. Tottenham: (a) No, Sir, a separate ministerial establishment for the Provision Section of the M. G. O. Branch was sanctioned by the Government of India as a result of Mr. Macdonald's enquiry. The decision was based solely on considerations of efficiency and economy.

(b) No, my information is that certain representations on the subject were made in writing, but no interview was asked for.

ALLEGED ANTI-INDIAN ATMOSPHERE IN THE ARMY HEADQUARTERS.

1487. ***Mr. P. G. Reddi:** Are Government aware of the anti-Indian atmosphere which is reigning supreme in Army Headquarters offices generally? If so, do Government propose to set up some machinery whereby the interests of Indian clerks in those offices would be adequately safeguarded? If not, why not?

Mr. G. R. F. Tottenham: The answer to the first part of the question is in the negative. The rest of the question, therefore, does not arise.

TREATMENT METED TO INDIAN STUDENTS IN GERMANY.

1488. ***Mr. Lalchand Navalrai:** (a) Has Government's attention been drawn to the contribution in the *Hindustan Times* of the 9th December, 1933 under the caption "Indian students in Germany—undignified treatment and segregation"?

(b) Is it a fact that restrictions have been placed on the Indian students in Germany by the new regime which are causing them hardship?

(c) If so, what restrictions have been placed on them?

(d) Have they been segregated?

(e) Is it a fact that German girls who have married Indian students are deprived of their nationality?

(f) What steps do Government propose to take in this matter?

Mr. H. A. F. Metcalfe: (a) Yes.

(b) to (e). The information is being obtained from His Majesty's Ambassador in Germany and will be communicated to the House in due course.

(f) Does not arise at present.

EMPLOYMENT OF SIKHS AS SUPERINTENDENTS AND DIVISIONAL ACCOUNTANTS IN THE OFFICE OF THE ACCOUNTANT GENERAL, CENTRAL REVENUES.

1489. *Sardar Sant Singh: (a) Will Government be pleased to intimate the number of:

- (i) S. A. S. Superintendents,
- (ii) Divisional Accountants, and
- (iii) Clerks and Auditors,

in the office of the Accountant General, Central Revenues and the Auditor General in India, employed at present as well as immediately before the retrenchment effected in 1981-82? How many of them are and were Sikhs?

(b) Is it a fact that there is no Sikh in the Superintendent's post and that there is only one Sikh Divisional Accountant? If so, will Government be pleased to intimate whether any steps have been taken to make up the deficiency?

(c) If the reply to the last part of part (b) above be in the negative, will Government be pleased to intimate reasons in justification of the same? If the reply be in the affirmative, will Government kindly intimate by what time they expect to make up the deficit?

The Honourable Sir George Schuster: With your permission, Sir, I will deal with questions Nos. 1489 to 1498 together.

Enquiry is being made and complete replies will be laid on the table in due course.

DIVISIONAL ACCOUNTS IN THE CENTRAL PUBLIC WORKS DEPARTMENT.

†1490. *Sardar Sant Singh: Will Government be pleased to intimate (i) when the cadre of Divisional Accountants for Delhi Public Works Department was created, (ii) the number of the posts it comprised of immediately before the Central Account Office, New Delhi, was abolished, and (iii) the names of the Divisional Accountants with the names of the Divisions to which they were recommended by the C. A. O. to be posted, as well as the names of the Divisions to which they were agreed by the Superintending Engineer or the Chief Engineer to be posted?

DIVISIONAL ACCOUNTANTS IN THE CENTRAL PUBLIC WORKS DEPARTMENT.

†1491. *Sardar Sant Singh: (a) Is it a fact that six Executive Engineers were made permanent in pursuance of the Secretary of State's sanction, *vide* his telegram No. 953, dated the 18th March, 1930 (Government of India, F. D. No. F-8/XXVII-Ex.-L-29, dated the 17th April, 1930), and that one Divisional Accountant for a Public Works Division is an indispensable element under rule 1 of Appendix 2 to P. W. A. Code? Will Government be pleased to state why six of the Divisional Accountants in the Delhi Public Works Department were not simultaneously confirmed?

(b) Will Government be pleased to state how many of the Accountants had to be retrenched due to the retrenchment campaign and the steps taken to protect the rights of those retrenched men?

†For answer to this question, see answer to question No. 1489.

DIVISIONAL ACCOUNTANTS IN THE CENTRAL PUBLIC WORKS DEPARTMENT.

†1492.***Sardar Sant Singh:** Is it a fact that no steps have so far been taken to convert six temporary posts of the Divisional Accountants in the Central Public Works Department into permanent ones? Is it a fact that the staff of that Department has been made permanent? Will Government be pleased to state the reasons for the same, and when are these posts likely to be made permanent?

SIKH DIVISIONAL ACCOUNTANTS IN THE CENTRAL PUBLIC WORKS DEPARTMENT

†1493.***Sardar Sant Singh:** Will Government be pleased to state how many of the Divisional Accountants belonging to the Central Public Works Department were Sikhs, and how many of those Sikh Divisional Accountants were retained in service when the cadre in question was amalgamated with that of the main office, i.e., Accountant General, Central Revenues, and under what considerations and conditions? If all of the Sikh Divisional Accountants were not retained, will Government be pleased to state the reasons for such action?

FILLING UP OF VACANT POSTS OF DIVISIONAL ACCOUNTANTS IN THE OFFICE OF THE ACCOUNTANT GENERAL, CENTRAL REVENUES.

†1494.***Sardar Sant Singh:** Is it a fact that some permanent posts in the Divisional Accountant's cadre of the Accountant General, Central Revenues, are lying vacant for some years past? If so, will Government be pleased to state the reasons for not making the men working against these posts permanent?

FILLING UP OF VACANT POSTS OF DIVISIONAL ACCOUNTANTS IN THE OFFICE OF THE ACCOUNTANT GENERAL, CENTRAL REVENUES.

†1495.***Sardar Sant Singh:** (a) Is it a fact that last year permission was applied for by the authority concerned to fill up six of the permanent posts of Divisional Accountants in the Accountant General, Central Revenues cadre permanently and that sanction was given for filling up four posts only? If so, will Government be pleased to state the reasons for withholding the sanction for filling up the remaining two posts?

(b) Is it a fact that none of the four posts referred to in part (a) went to a Sikh, and if so, why?

SIKH DIVISIONAL ACCOUNTANTS IN THE CENTRAL PUBLIC WORKS DEPARTMENT.

†1496.***Sardar Sant Singh:** Will Government be pleased to state whether all the Sikh Divisional Accountants of the Delhi Public Works Department held permanent appointments before the Central Accounts Office was abolished? If not, what position did they hold in that cadre?

EMPLOYMENT OF SIKHS AS DIVISIONAL ACCOUNTANTS IN THE OFFICE OF THE ACCOUNTANT GENERAL, CENTRAL REVENUES.

†1497.***Sardar Sant Singh:** (a) Will Government be pleased to state the number of Sikh Divisional Accountants and clerks in the office of the Accountant General, Central Revenues and the Auditor General in India, who have passed the Subordinate Accounts Service Examination, and

†For answer to this question, see answer to question No. 1489.

whether any of them has ever been allowed to officiate in the S. A. S. posts? If so, for how long?

(b) Do Government propose to consider the question of the appointment of Sikh S. A. S. candidates in the vacancies that may occur henceforward? If not, why not?

RETRENCHMENT OF TWO SIKHS FROM THE LATE CENTRAL ACCOUNTS OFFICE.

1498. ***Sardar Sant Singh**: Will Government be pleased to state whether the intention of the orders issued in their memorandum No. F.-79-Xi-ExpI/32, dated the 3rd August, 1931, on the subject of selection of personnel for retrenchment, was to protect the members of the minority communities from the retrenchment campaign? If so, why were two of the Sikh members of the late Central Accounts Office retrenched in preference to their colleagues who were junior in service to the Sikhs?

PICTURES PUBLISHED BY THE RAILWAY PUBLICITY DEPARTMENT.

1499. ***Mr. Nabakumar Sing Dudhoria**: Will Government be pleased to state:

- the name of pictures executed, printed, and published by the Railway Publicity Department in 1932-33;
- the name of the author of each of such picture;
- the total amount paid to each of such author for design and execution of each;
- the names of the press or printing office, which printed each, either in India or abroad; and
- the total amount spent on the printing of those publicity pictures in 1932-33?

Mr. P. R. Rau: I place on the table a statement giving the particulars asked for.

Name of Posters or Pictures.	Name of Authors.	Amount paid to each Author for Posters or Pictures.	Names of Presses where printed.	Total amount spent on printing.	
		Rs.		Rs.	Rs.
(i) Bombay .	Bagdatopoulos	1,000	Bolton Fine Art Litho Works, Bombay.	1,119	4,041
(ii) Baluchistan .	Mrs. Channer	250		939	
(iii) Kedarnath .	Mr. G. T. Tait	Nil		1,083	
(iv) Mysore .	Major Marwick	250	British India Press, Bombay.	900	

†For answer to this question, see answer to question No. 1489.

EXAMINATIONS HELD IN INDIA BY THE PUBLIC SERVICES COMMISSION.

1500. ***Mr. Nabakumar Sing Dudhoria:** Will Government be pleased to state:

- (a) the names of public examinations that are not held in India since the last two years and that were previously held under the auspices of the Public Services Commission;
- (b) whether some candidates, British and Indian, have been recruited both locally and abroad for the services for which those examinations were held for some time on competition basis;
- (c) if so, the names of all those candidates together with the names of services for which they have been recruited;
- (d) whether any of those candidates have been taken on a temporary arrangement; if so, which of them; and
- (e) whether in view of the limitation of the work and activities of the Public Services Commission there has been effected any retrenchment either of the personnel or the establishment of the Commission?

The Honourable Sir Harry Haig: (a) The combined examination for the Indian Audit and Accounts Service, the Military Accounts Department, the Imperial Customs Service and the Indian Railway Accounts Service, the examination for the Indian Forest Service and the combined examination for the Indian Service of Engineers, the Indian Railway Service of Engineers and the Transportation (Traffic) and Commercial Departments of the Superior Revenue Establishment of State Railways.

(b), (c) and (d). The information is not available, and could not be obtained without an expenditure of time and labour that would not be justifiable.

(e) It is not correct that recent changes have involved any limitation of the work and activities of the Public Service Commission. On the contrary, new examinations which have been handed over to the Commission and have attracted large numbers of candidates, have recently necessitated some increase in the establishment. As a measure of economy, the post of one Member of the Commission was retrenched in 1932 and also of one stenographer and three menials.

TRACTS OF LANDS KEPT UNUSED BY THE BENGAL NAGPUR AND EAST INDIAN RAILWAYS.

1501. ***Mr. Nabakumar Sing Dudhoria:** Will Government be pleased to state:

- (a) whether it is a fact that on the Bengal Nagpur Railway and East Indian Railway particularly extensive tracts of acquired lands are still being kept reserved unused in very thickly populated areas, and that the purpose for which such lands were originally acquired has not been fulfilled during the last 30 or 40 years;
- (b) if so, whether the Railway Board propose to take the matter up and institute an enquiry into the necessity or otherwise of keeping such lands unused for such long time;
- (c) whether it is a fact that representations have already been sent to the Railway Board from time to time on such a matter from different places; and

(d) if so, what steps or attitude the Board has so long taken in the matter?

Mr. P. R. Rau: The utilization for revenue earning purposes of land, which is not required in the near future for railway purposes, has been under consideration for some time, and the revised rules for the custody and management of railway land, which were promulgated in January last, permit of such land being leased or licensed to outsiders. The Pope Committee in their Report submitted in February last, recommended that spare land and accommodation should be utilized for revenue earning purposes, and Government have drawn the attention of Railway Administrations to that recommendation, and have called for their views on the possibility of giving effect to the suggestions contained in the Report.

RE-ORGANISATION OF THE PUSA IMPERIAL INSTITUTE OF AGRICULTURAL RESEARCH.

1502. ***Mr. Lalchand Navalrai:** (a) Will Government be pleased to state the steps they have taken to reorganize Pusa (Bihar) Imperial Institute of Agricultural Research, on the lines of the Agricultural Commission's recommendation?

(b) Is it a fact that one of the members of the Agricultural Commission criticised the station as a mere fodder growing station? Have any improvements taken place since then? If so, what?

(c) Is it a fact that the posts of several heads of scientific sections have been lying vacant for the last two or three years? If so, why?

Mr. G. S. Bajpai: (a) I would invite the Honourable Member's attention to the periodical reports of the progress made in giving effect to the recommendations of the Royal Commission on Agriculture in India. Copies of these reports will be found in the Library of the House.

(b) Government are not aware of any such statement. If the Honourable Member wants to know what action has been taken on the recommendations of the Royal Agricultural Commission in regard to Pusa, I would refer him to the answer which I have given to part (a) of this question. If he wishes to familiarise himself with the activities of the Institute, I would suggest that he should consult the Director's Report and connected documents which are published annually and are available in the Library of the House.

(c) Steps have recently been taken to recruit for the posts of Imperial Agricultural Chemist and Imperial Entomologist which have been vacant for some time. No other headship of section is vacant. The delay in recruiting for these vacancies has been largely due to the fact that revised scales of pay for Class I posts had to be settled and the sanction of the Secretary of State had to be obtained for throwing open these appointments to candidates who are not members of the Indian Agricultural Service.

RE-ORGANISATION OF THE PUSA IMPERIAL INSTITUTE OF AGRICULTURAL RESEARCH.

1503. ***Mr. Lalchand Navalrai:** (a) Is it a fact that one, Dr. B. A. Keen, was specially brought down to Pusa to reorganize Pusa Imperial Institute of Agricultural Research?

(b) How far do his recommendations go, and how far have they been accepted?

(c) What is the amount spent on this officer?

Mr. G. S. Bajpai: (a) Yes.

(b) Owing to financial stringency it was not possible to give effect to Dr. Keen's original recommendations which aimed at a complete re-organisation of the Pusa Institute. Before he left, Dr. Keen submitted revised proposals in the light of the urgent need for economy. These have been put in force with slight modifications and as a result the working of the Institute has been improved within the limits possible in present financial circumstances.

(c) Dr. Keen served as Director of the Pusa Institute from the 6th November, 1930, to the 3rd December, 1931. The total amount spent on him was approximately Rs. 34,500, in addition to a free house and free return passage for himself and his wife.

TRAINING OF STUDENTS IN THE PUSA IMPERIAL INSTITUTE OF AGRICULTURAL RESEARCH.

1504. ***Mr. Lalchand Navalrai:** (a) Will Government be pleased to state how many students have been admitted to the Imperial Institute of Agricultural Research for training since it came into existence?

(b) How many of those students have completed their course and how many still remain?

(c) Will Government be pleased to state what prospects have these students after they finish their course of training?

(d) Have any of the students been taken in Government service after their course of training and is there any prospect for them at present?

Mr. G. S. Bajpai: (a) A statement is laid on the table.

(b) 40 students are still under training.

(c) They will be eligible for appointment in the various agricultural departments in India and the qualifications which they acquire should also improve their chances of securing private employment.

(d) Many of the past students are in Government service. As regards the last part of the question I shall refer the Honourable Member to the relevant portion of the answer to part (c) of the question.

(a) (i) Before the institution of post-graduate courses in 1923, 131 students, mostly deputed by Provinces and Indian States, received training.

(ii) Subsequently, 180 were admitted for post-graduate and Dairy Diploma Courses, of whom 125 have completed their training.

(iii) Besides these, nearly 400 students have done short courses.

EXPENDITURE INCURRED ON THE PUSA IMPERIAL INSTITUTE OF AGRICULTURAL RESEARCH.

1505. ***Mr. Lalchand Navalrai:** (a) Will Government be pleased to state the annual expenditure incurred on the Imperial Institute of Agricultural Research at Pusa since 1930?

(b) Why was not this Institute transferred to the control of Imperial Agricultural Research Council?

(c) Is it a fact that Pusa Institute carries on sugar-cane breeding as a part of its activities?

(d) In what way does this Institute co-operate in its research work with that of the work of the Imperial Research Council?

Mr. G. S. Bajpai: (a) A statement is laid on the table.

(b) So that the Imperial and Provincial research institutions should stand in exactly the same relation to the Imperial Council of Agricultural Research.

(c) Yes.

(d) The Pusa Institute has at present several important research schemes in hand for which the Research Council has made grants. Members of the staff of the Institute also serve on technical committees appointed by the Council and assist in the publication work.

Statement of expenditure incurred annually on the Imperial Institute of Agricultural Research, Pusa, since 1930.

Year.	Rs.
1930-31 (actuals)	15,57,570
1931-32 (actuals)	12,39,751
1932-33 (Revised estimate)	9,11,100
1933-34 (Budget estimate)	9,67,900

RECRUITMENT OF INDIANS TO THE COMMISSIONED RANKS OF THE INDIAN VETERINARY CORPS.

1506. ***Sirdar Harbans Singh Brar:** (a) In view of their repeated promises to open the recruitment of Indians to the Commissioned ranks of Indian Veterinary Corps, do Government propose to expedite the publication of the rules immediately?

(b) Do Government propose to give publicity to the said rules, to enable the Indians qualifying for M.R.C.V.S. in England to take advantage of this scheme of recruitment?

Mr. G. R. F. Tottenham: With your permission, Sir, I propose to answer questions Nos. 1506 and 1509 together.

(a) The attention of the Honourable Members is invited to the answer I gave on the 29th August, 1933, to starred question No. 161, when I explained that it was unlikely that the new rules could come into force before the first batch of cadets receive their commissions from the Indian Military Academy at the end of 1934.

(b) Yes.

DUTIES OF THE OFFICER-IN-CHARGE, MEDICAL MOBILIZATION STORES.

1507. ***Sirdar Sohan Singh:** (a) Was there a post called D. A. D. M. S. (Mobilization) in certain Military Districts?

(b) If so, has this post been abolished in certain Districts and not in others? If so, why?

(c) Is it a fact that the designation of the officer who has been doing the same work is Officer-in-Charge, Medical Mobilization Stores?

(d) Is there any difference in the nature of the duties performed by the two respective officers mentioned above, also in their pay and allowances and distinction badges?

Mr. G. R. F. Tottenham: (a) Yes.

(b) All these appointments were abolished as a measure of economy.

(c) and (d). The duties attached to the appointments have been split up and entrusted to other officers, who wear no distinctive badge nor receive any special remuneration on this account.

RECRUITMENT OF INDIANS TO THE INDIAN MEDICAL SERVICE.

1508. ***Sirdar Sohan Singh:** (a) Will Government be pleased to inform this House how many Indians have been recruited in the Indian Medical Service during the last two years?

(b) What are the proposals for the recruitment of Indians to the Indian Medical Service for the next two years?

Mr. G. R. F. Tottenham: (a) Thirteen.

(b) The number of Indian officers of the I. M. S. being at present over strength according to the existing scale, there is no proposal to recruit more Indians to that service in the near future.

RULES FOR RECRUITMENT OF INDIANS TO THE COMMISSIONED RANKS OF THE INDIAN VETERINARY SERVICE.

†1509. ***Mr. Jagan Nath Aggarwal:** (a) Do Government propose to expedite the publication of the rules relating to the recruitment of Indians to the Commissioned ranks of the Indian Veterinary Service?

(b) Do Government propose to publish the rules simultaneously in England and India and invite applications for such recruitment?

APPEALS WITHHELD BY CERTAIN DIVISIONAL SUPERINTENDENTS ON THE EAST INDIAN RAILWAY.

1510. ***Mr. S. G. Jog:** (a) Is it a fact that Mr. P. R. Rau, M.L.A., in answer to a supplementary question to starred question No. 795 of the 12th September, 1933 said that there is nothing to prevent a subordinate to send an advance copy of his appeal? If the reply is in the affirmative, will Government state under what circumstances has the Agent, East Indian Railway, on the 20th September, 1933, issued instructions that the practice of submitting advance copies of appeals must cease forthwith, vide para. 640 of East Indian Railway Gazette, No. 19 of 1933, reading:

"The Railway Board have drawn attention to the prevailing practice of submitting direct to them advance copies of appeals intended for their consideration, and have pointed out that as no action can be taken on these advance copies they serve no useful purpose and only entail unnecessary clerical work.

All staff are, therefore, to note that the practice of submitting advance copies of appeal must cease forthwith. These instructions apply not only to appeals addressed to the Board but to all appeals to whomsoever addressed."

(b) What are the sources through which the Agent or the appellate authority can look into an appeal if and when withheld by the Divisional Superintendent or any other subordinate authority?

(c) What are the number and nature of appeals withheld by the Divisional Superintendents, Howrah, Asansol, Danapur, Allahabad, Lucknow and Moradabad during the half year ending 30th November, 1933?

†For answer to this question, see answer to question No. 1506.

(d) How were the appeals withheld by the Divisional Superintendents looked into and disposed of by the Agent?

Mr. P. R. Rau: I have called for certain information and will lay a reply on the table in due course.

CUT IN THE CONSOLIDATED ALLOWANCE OF TRAVELLING TICKET EXAMINERS ON THE EAST INDIAN RAILWAY.

1511. ***Mr. S. G. Jog:** Is it a fact that Mr. P. R. Rau, M.L.A., in answer to starred question No. 1274 of the 1st December, 1933, said that the Consolidated Allowance should not be subjected to any cut? If so,

(a) what is the significance of the word *should* used therein; and

(b) does the word *should* effect the future, present or past?

(c) Have Government held that this cut was an unwarranted one? If so, do Government propose to refund the amount already recovered? If not, why not?

Mr. P. R. Rau: The answer to the first part of the question is in the negative and the second part does not arise. If my Honourable friend had done me the honour to listen to the reply I gave, or read it in the printed debates afterwards, he would have found that the word "should" which has so exercised him was not used by me.

UNSTARRED QUESTIONS AND ANSWERS.

ABOLITION OF THE POST OF INSPECTOR IN THE RAILWAY CLEARING ACCOUNTS OFFICE.

369. **Mr. Goswami M. R. Puri:** (a) Is it a fact that the duties of the Inspectors in the Railway Clearing Accounts Office are merely to bring copies of missing returns, invoices and parcel-waybills?

(b) If so, do Government not propose to abolish such posts in view of the present economical distress?

Mr. P. R. Rau: (a) No.

(b) Does not arise.

READERS IN THE GOVERNMENT OF INDIA PRESS, NEW DELHI.

370. **Mr. S. G. Jog:** Will Government be pleased to state how many grades of Readers are there in the Government of India Press, New Delhi? What are the duties of Readers in each grade?

The Honourable Sir Frank Noyce: There are five grades. With the exception of those of the Head Reader who supervises and distributes work in the Reading Section, the duties of Readers in the various grades are not specifically differentiated, but an endeavour is made to entrust each Reader with work corresponding to his grade. Senior Readers are ordinarily given press readings and the more intricate and responsible second readings.

**INCREASE OF WORK IN THE GOVERNMENT OF INDIA PRESS, NEW DELHI,
BY THE TRANSFER OF THE CENTRAL PUBLICATION BRANCH.**

371. **Mr. S. G. Jog:** Are Government aware that by the transfer of Central Publication Branch from Calcutta, the work in the Government of India Press, Delhi, has doubly increased?

The Honourable Sir Frank Noyce: No; the consequent arrangements have resulted in some increase, but the work has not been doubled.

AMALGAMATION OF THE GOVERNMENT OF INDIA PRESSES, CALCUTTA AND NEW DELHI.

372. **Mr. S. G. Jog:** Will Government be pleased to state if it is a fact that by the amalgamation of the Government of India Press, Calcutta, with the Government of India Press, Delhi, the Delhi Press will become a first class Press?

The Honourable Sir Frank Noyce: I am not sure what the Honourable Member means by a first class Press. The Calcutta Press has not been amalgamated with the Delhi Press; some of the work previously done in the former Press has been transferred to the latter Press with the necessary machinery and staff.

PROCEDURE FOLLOWED IN FIXING SENIORITY IN THE GOVERNMENT OF INDIA PRESS, NEW DELHI.

373. **Mr. S. G. Jog:** Will Government be pleased to state what procedure is followed in fixing the seniority of a man in the Government of India Press, New Delhi? Is it at the Manager's own sweet-will, or is there some definite procedure?

The Honourable Sir Frank Noyce: The attention of the Honourable Member is invited to the reply given by me on the 20th December, 1933, to parts (a) and (b) of unstarred question No. 360 in the Legislative Assembly by Lieutenant Nawab Muhammad Ibrahim Ali Khan.

FACILITIES TO THE EMPLOYEES OF THE GOVERNMENT OF INDIA PRESSES TO VENTILATE THEIR GRIEVANCES.

374. **Mr. S. G. Jog:** (a) Is it a fact that now-a-days the facilities which were allowed to the Press employees to ventilate their grievances to the higher authorities from time immemorial, have been taken away and limited to the Controller of Printing and Stationery as the final authority, and that the Managers of the Government Presses are empowered to do whatever they like,—especially the Delhi Press Manager?

(b) If the answer to part (a) be in the affirmative, do Government propose to reconsider the position of the employees by reopening the facilities formerly given to them?

The Honourable Sir Frank Noyce: (a) The rules for the submission of appeals by the subordinate services, including the staff of the Government of India Presses, were published with the Government of India Home Department Notifications No. F-9-19/30, dated the 27th February, 1932, and No. F-9-18/32, dated the 18th August, 1932, and rules for the submission of petitions with the Government of India, Home Department

Notification No. F.-6-7/33-II, dated the 19th June, 1933. No powers have been conferred on the Manager of the Delhi Press which are not vested in other Managers and there is provision for an appeal against the Managers' orders.

(b) The Government of India consider that these rules provide adequate protection. Grievances can also be ventilated in the Works Committees of the Presses.

FLUCTUATING AND RETRENCHED COMPOSITORS OF THE GOVERNMENT OF INDIA PRESS, NEW DELHI.

375. Mr. S. G. Jog: (a) Are Government aware that the fluctuating and retrenched Compositors of the Government of India Press, New Delhi, join this Press whenever the Manager calls them?

(b) If the answer to part (a) be in the affirmative, will Government be pleased to state whether their cases are going to be considered at all or Bengalis from Calcutta are coming? If their cases are not going to be considered, what is the reason therefor?

The Honourable Sir Frank Noyce: (a) Several retrenched Compositors have accepted offers of appointment made to them from time to time.

(b) The attention of the Honourable Member is invited to the reply given by me on the 20th December, 1933, to part (b) of unstarred question No. 358 by Lieutenant Nawab Muhammad Ibrahim Ali Khan.

FACILITIES FOR MEDICAL AID TO THE EMPLOYEES OF THE GOVERNMENT OF INDIA PRESS, SIMLA.

376. Mr. S. G. Jog: (a) Will Government please state if it is a fact that the Medical Officer in charge of the Government of India Press, Simla, visits the said Press at random?

(b) Is it also a fact that medicines are brought next day from the hospital for the employees, although a cooly has been engaged for the purpose?

(c) If the replies to parts (a) and (b) be in the affirmative, do Government propose to instruct the Manager to see that the Medical Officer in charge attends the Press regularly before noon, so as to get the medicines the same evening?

The Honourable Sir Frank Noyce: (a) No. The Medical Officer in charge visits the Press regularly on alternate days, but not at any fixed time of the day.

(b) Yes. But urgent and immediate prescriptions are made over to the persons concerned who can obtain medicines the same evening.

(c) The matter is being investigated with a view to fixing some definite time, preferably in the forenoon for the Medical Officer's visits.

FACILITIES FOR MEDICAL AID TO THE EMPLOYEES OF THE GOVERNMENT OF INDIA PRESS, SIMLA.

377. Mr. S. G. Jog: Is it a fact that the employees of the Government of India Press, Simla, are entitled to free medical attendance for themselves and at half rates for their families by the Press doctor?

The Honourable Sir Frank Noyce: Yes,

ALLOTMENT OF QUARTERS TO THE EMPLOYEES OF THE GOVERNMENT OF INDIA PRESS, SIMLA.

378. Mr. S. G. Jog: (a) Are Government aware that Government clerks' quarters have been allotted to highly paid employees of the Government Press, Simla, instead of low paid men?

(b) Is it also a fact that five near relatives of the Head Clerk of the Press who are working in different capacities in the Press, are provided with Government quarters, ignoring the claims of many deserving persons?

(c) Is it also a fact that the Stationery Keeper who is drawing handsome pay has been allotted two quarters? Is he the younger brother of the Head Clerk?

(d) If the replies to parts (a), (b) and (c) above be in the affirmative, do Government propose to instruct the Manager of the said Press to allot quarters only to lowly paid and most deserving employees?

The Honourable Sir Frank Noyce: (a) No: the majority of the quarters have been allotted to low paid employees.

(b) No.

(c) Two quarters consisting of two rooms have been allotted for many years to the incumbent of the post of Stationery Keeper in the interest of Government work. The reply to the latter part of the question is in the affirmative.

(d) Does not arise.

GRANT OF TWO HOURS' LEAVE TWICE A MONTH TO THE EMPLOYEES OF THE GOVERNMENT OF INDIA PRESS, SIMLA.

379. Mr. S. G. Jog: (a) Is it a fact that after a careful consideration Government have allowed early leave for two hours only twice a month to their Press employees to meet their casual requirements?

(b) If the reply to part (a) be in the affirmative, are Government aware that the concession allowed is too frequently rejected, even in emergencies, to Press employees especially to the clerical staff of the Government of India Press, Simla? If so, do Government propose to instruct the Managers of their Presses to peruse the rejected applications for short period early leave before any final decision is arrived at? If not, why not?

The Honourable Sir Frank Noyce: (a) No. The question has not received the consideration of Government.

(b) Does not arise.

RESTRICTIONS IMPOSED ON THE EMPLOYEES OF THE GOVERNMENT OF INDIA PRESS, SIMLA, TO SEE THE DOCTORS IN HOSPITAL.

380. Mr. S. G. Jog: (a) Will Government please state if it is a fact that the Manager, Government of India Press, Simla, issued orders last year that any employee who wished to see the Doctor in hospital must take permission in writing from the Assistant Manager or the Head Clerk before he did so?

(b) If the reply to part (a) be in the affirmative, do Government propose to state if such restrictions have ever been imposed in any other Government office?

(c) Will Government please lay a copy of the said orders on the table of this House, and state the reasons for its justification?

(d) Is it a fact that this order has put the employees to great inconvenience?

The Honourable Sir Frank Noyce: (a) Yes. But the order is waived in cases of emergency or sudden illness.

(b) As far as I am aware, no such restrictions have been imposed in any other Government office.

(c) An extract from the order is laid on the table. The Press Doctor brought to notice that some of the Press employees were in the habit of visiting him at his house or when he was not on duty in the Press and that in the absence of a letter of authority or identification it was difficult for him to know whether the men who presented themselves were press employees or not. It was for this reason and to prevent unnecessary calls on the Doctor for trivial complaints that the Manager issued the orders.

(d) I have no reason to believe that this is the case. No complaints have been received from the employees either direct or through the Works Committee which is particularly intended to deal with such matters

Extract from the office order of the Government of India Press, Simla.

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All employees may especially note that henceforth when treatment or a recommendation for leave on medical certificate is required outside the Doctor's ordinary hours for visiting the Press, they should not visit the Doctor at his house or the Dispensary unless accompanied by a letter in the prescribed form which will be signed by the Assistant Manager in the case of industrial staff and Head Clerk in the case of the office.

This rule will of course be waived in cases of emergency and sudden illness at night.

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HOURS IN THE GOVERNMENT OF INDIA PRESS, SIMLA.

381. **Mr. S. G. Jog:** (a) Is it a fact that the Government of India Press, Simla, is located at a distance of about two and a half miles from Simla?

(b) Is it a fact that the working hours of the Press are from nine to six o'clock in the evening?

(c) If the replies to parts (a) and (b) above be in the affirmative, are Government prepared to consider the desirability of reducing their working hours, especially during winter months?

(d) If the reply to part (c) be in the negative, do Government propose to increase the grace time from 10 minutes to twenty or thirty?

The Honourable Sir Frank Noyce: (a) No, it is within municipal limits.

(b) The hours of work of the industrial employees on week days except Saturday are as stated.

(c) and (d). Do not arise.

MOTION FOR ADJOURNMENT.

RECOMMENDATIONS OF THE CAPITATION TRIBUNAL.

Mr. President (The Honourable Sir Shanmukham Chetty): Order, order. The Chair has received a notice from Sirdar Harbans Singh Brar that he proposes to ask for leave to make a motion for the adjournment of the House today for the purpose of discussing a definite matter of urgent public importance, as follows:

"The unsatisfactory nature of the decision announced by His Majesty's Government on the recommendations of the Capitation Tribunal, that is, the inadequate contribution and compensation promised to India therein, which has been published this morning."

The report of the Capitation Tribunal was published in the papers yesterday morning and a copy of the actual report was, the Chair understands, supplied to Members last night. The Honourable Member, Sirdar Harbans Singh Brar, was perfectly correct in giving notice for the motion this morning, otherwise he would have lost the right. But it has been represented to the Chair that in view of the fact that the report was made available to Honourable Members only last night and that Honourable Members have not had a chance of reading the report, the Chair might agree to waive the objection on the ground of urgency if this motion was made at a later stage. The Chair has considered this representation, and so far as the Chair is concerned, if this motion is made on the first day when the House meets in January, the Chair would waive the objection on the ground of urgency. Is the Honourable Member agreeable to that?

Sirdar Harbans Singh Brar (East Punjab: Sikh): I am agreeable to that, Sir.

MESSAGE FROM HIS EXCELLENCY THE GOVERNOR GENERAL

EXTENSION OF THE LIFE OF THE LEGISLATIVE ASSEMBLY.

Mr. President (The Honourable Sir Shanmukham Chetty): The following Message has been received from His Excellency the Governor General: (The Message was received by Members of the Assembly standing.)

"In exercise of the power conferred by section 65D of the Government of India Act, 1935, I, Freeman, Earl Willingdon, hereby extend the period of the continuance of the Legislative Assembly up to the 31st December, 1934.

(Sd.) WILLINGDON.

Viceroy and Governor General of India"

THE RESERVE BANK OF INDIA BILL.

Mr. President (The Honourable Sir Shanmukham Chetty): The House will now resume consideration of the third reading on the Reserve Bank of India Bill. In view of the advanced stage which this discussion has reached, the Chair thinks Honourable Members will agree with it that it

is desirable that this motion must be disposed of before the House disperses, and Honourable Members might probably know that today is the last day of the present Session, because tomorrow is a public holiday. We have got roughly about 4½ hours today. If Honourable Members would impose a restraint on themselves and a voluntary time limit, say, to the extent of 20 or 25 minutes per speaker, about nine or ten speakers could take part in the debate before 5 o'clock this evening. But if it is the general desire that more Members should take part in the debate or that Honourable Members should have unlimited time at their disposal, the Chair would certainly have no objection to sit tonight after dinner and go on till we finish it tomorrow morning.

An Honourable Member: We do not want to sit at night.

Mr. President (The Honourable Sir Shammukham Chetty): The Chair is only giving the alternative to Honourable Members; it is for them to choose. It is very desirable, in view of the public business, that this motion must be disposed of today. So far as arrangements have been made at present, it is possible that Honourable Members might be summoned again on the 24th January, and the Chair is sure, Honourable Members will agree with it that it is desirable, in the light of the stage that this discussion has reached and in view of the congested nature of the business that will come up before the next Session, that this motion should be disposed of today. The Honourable Member, Mr. Puri, has already taken 50 minutes and the Chair hopes that what it has said will have some effect upon his speech.

Mr. B. R. Puri (West Punjab Non-Muhammady): Sir, I will not detain the House for more than five or six minutes. Yesterday when the House rose, I was dealing with some important incidents connected with the passage of this unfortunate measure. I endeavoured to place before the House some samples of "high class politics" as compared with "politics of low depths." The House will be pleased to recollect that, in the course of my observations, I received a warning from the Honourable the Finance Member that in my case he would make a departure from his usual practice of administering sugar-coated pills. May I assure him that that threat will not deter me from doing what I believe to be my bounden duty towards my country. I assure him that I had a perfectly good sleep last night and that this threat did not make me perspire either. Now, Sir, may I respectfully once more appeal to his sporting instinct that when he administers that bitter pill to me without sugar coating, I would expect from him in accordance with the rules of the game which he himself has been pleased to lay down, that the drug which he administers is not a rotten and impure drug borrowed from some other firm. Nor do I expect that the bitter pill which he has ear-marked for me would be passed on into the hands of other petty retail sellers who might come forward under false trade names and address the House. (Laughter.) This is so far as the Finance Member is concerned. I have no desire to go into the unfortunate controversy relating to the London incident. I have said enough yesterday and I shall be here at the beck and call of Honourable Members when they stand on their feet to answer them in the course of their speeches with reference to the questions which may arise therein. But I certainly feel, and this is my last item which I want to deal with,—I certainly feel that an explanation is due from me to my Honourable colleague on my left, the Leader of the European Group. In the course

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of my speech yesterday, I happened to remark that it was Sir Leslie Hudson, the Leader of the European Group, who had introduced this incident in his speech as to what had actually taken place in London regarding some of our Honourable colleagues who happened to be members of the London Committee, and I remarked that what Sir Leslie Hudson said regarding them was that their conduct, in going back upon their signatures, amounted to "dishonesty of purpose". I was interrupted, and I was told that these words were not used by my Honourable colleague. I confess that the words which he used were not identical, but if I am permitted to say, that what he actually did say amounted practically to what I said. I have not yet got the official report of his speech, but I am preserving, as I hinted yesterday, a copy of the *Statesman* which contains his speech practically *in extenso*. Apart from several sentences which appear scattered in different parts of his speech, he finally wound up the speech in the following terms. I would invite the attention of the House to the language which is used there. I am now reading. . . .

Mr. President (The Honourable Sir Shammukham Chetty): Order, order. When one Honourable Member wants to quote the speech of another Honourable Member, he ought to quote from the official report and not from a newspaper.

Mr. B. R. Puri: The official report of the speech is not available, and if that is the ruling of the Chair, I have got nothing more to say.

Sir Leslie Hudson (Bombay: European): Sir, reference having been made by Mr. Puri to a speech which I made early in the week, I shall take this opportunity of stating to this House that nowhere in my speech did I impugn the honesty of motive or purpose of my Honourable friends who attended the London Committee. I used the word "honest" in connection with the amendment which was then under discussion and it was very unfortunate that this interpretation was then put upon it and has subsequently been put upon it by Mr. Puri. I repeat again that I did not suggest or intend to suggest that any of my Honourable colleagues were dishonest, and I entirely dissociate myself from the attack which has been made by Mr. Puri on the Members of this Honourable House who attended the London Committee. Those Members rendered a great public service in their labours at that Committee. All may not agree with all that they put their signatures to, but I submit that they acted in the interests of their country and their services should not be minimised. Sir, the word "honest" in such a connection is not intended to convey, nor should it convey any personal stigma. There are three major interests in life in relation to which the word "honest" does not always convey the same sense that we find in a dictionary. Those three main interests are love, hostile feeling and politics.

Before I sit down— I do not intend to speak on the actual third reading of the Bill, may I add my congratulations to the Honourable the Finance Member for the admirable, able and patient way in which he has conducted this Bill to its final conclusion.

Mr. C. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): Sir, it is sometimes difficult when one has to measure swords with a personal friend who over-reaches himself, spreading himself

like a green bay-tree. Yesterday, when my learned friend from Lahore pointed his finger of scorn to this side of the House and accused us, who went to London, of not being representatives, I, at any rate, thought that I must give an answer, especially as Mr. Puri belonged, when I was chosen for London, to my Party and he had ample opportunities inside the Party and out in the country to repudiate the representative capacity of the three gentlemen, his colleagues, who went to London in one capacity or another. Sir, we were representatives of the principal Opposition in the House when we were chosen. We are representatives still of the Nationalist Party which we brought into existence, and the gentleman who questioned our representative capacity has not until today succeeded in persuading my Party to pass a vote of censure on the Leader or any other member of the Party who went to London. In panic—because they could not get such a censure motion through—they fled; they formed themselves into a minority rump and, for two successive Sessions of the Legislative Assembly, here and at Simla, they have not succeeded even in taking, after trying to break the Party, our Benches, the second Opposition position. So much for the representative character of the people who went to London from my Party. So far as Sir Cowasji Jehangir, the Leader of the Opposition, and Mr. Mudaliar, his worthy Deputy Leader, are concerned, they can take care of themselves when they speak, but the very fact that both at Simla and in this Session they have occupied the front Bench seat in the Party and the position of leadership is proof enough that they are worthy representatives of this House and of their constituencies. In not a single constituency of any of the gentlemen who represented this House in London has a meeting been held to repudiate or call into question their representative capacity even though in such far-flung constituencies one meeting cannot be said to be wholly representative, but not even one meeting has been held, and here my Honourable friend lightly stands up and says: "I question their representative capacity". I cannot accuse Mr. Puri of personal disappointment, of treasuring up some malice against us, for even if he had been invited to London,—a busy lawyer as he happens to be who does not find adequate time day after day to sit in this House and do his work by his constituency,—he would most certainly not have accepted the invitation. (Laughter.) I, therefore, could not have said of him that he was speaking from personal disappointment which probably I might have said of some other members of his Party had they spoken before me. I have not heard them yet. But, Sir, I should not make a speech on Mr. Bhagat Ram Puri even though he made a speech on men yesterday more than on measures. I wish he had exercised his talents yesterday after his attack on the Finance Member, on the merits of the Bill, instead of directing his broadside against us. The Honourable the Finance Member is the villain of the piece and, as such, he has opened himself out for attack and he is competent enough to look after himself. If I may sum up Mr. Puri's scornful jests and grinning scorn, I can only say that he behaved as though:

"I do not love thee, Dr. Fell,

The reason why, I cannot tell;

But this I know, and knew full well,

I do not love thee, Dr. Fell."

Sir, I am very glad, the Honourable the Leader of the European Group has been furnished with an opportunity to explain his speech or part of the speech—explanation for which was wholly unnecessary as I had already

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explained it and he did not contradict—to his friends on this side of the House. But it is the privilege of an Opposition sometimes to exaggerate a misunderstanding (Laughter) as Mr. Mudaliar, the orator that he is, enjoyed or rather revelled in an exaggeration the other day. But, I am sure, when he stands up today, he would feel humble and make the usual bow necessary from gentlemen seated on these Benches to the European Group who have been anxiously co-operating with us to broaden the rights and liberties of our people. (Hear, hear.)

Lastly, I thought that the Deputy Leader of the Democratic Party would have had something to say at this far-end of the discussion, "the funeral march" he called it. I thought he would have something to say even in a funeral tone on the desirability of the establishment of a State Bank instead of a Shareholders Bank! (Laughter.) He missed the occasion. Let us hope some others, in a less naked and savage manner, will come forward with a better scheme than a Shareholders Bank.

Lastly, I am perfectly satisfied and happy that we have had the opportunity of setting up a Shareholders Bank, though extremely unhappy about the circumstances. I wish the White Paper scheme had not placed us on the horns of a dilemma. I wish the British Government had not set a pistol to our heads and said: "Unless you introduce this Reserve Bank"—and in this connection I will call the attention of the Honourable the Finance Member to that aspect of Sir Tej Bahadur Sapru's memorable memorandum—"nothing can be done at the Centre." I wish they had not said that the establishment of a Reserve Bank was a necessary condition precedent to the establishment of responsibility at the Centre. Sir, we could not help it and, in the worst of circumstances, we have done our best and are willing to face the public verdict,—“in divine affection bold”. (Applause.)

Mr. Muhammad Yamin Khan (Agra Division: Muhammadan Rural): Sir, I do not wish to reply to Mr. Puri's arguments and to the attacks which he made on different people yesterday. I was listening patiently when he was using that language, because, he got some kind of snub from the Honourable the Finance Member, but I listened and waited to find what arguments Mr. Puri really had on this occasion to present to the House. Sir, I am sorry to say, I was disappointed to find that Mr. Puri did not advance any arguments at all save and except launching sarcastic attacks on different people yesterday. Mr. Puri said that the people who sat on the Joint Select Committee and those who went to the London Committee were not the real representatives of the House. I say what more proof can there be of their representative character than to find that their decision has been upheld by a huge majority of this House? (Hear, hear.) Sir, if the people were not representatives of the House as a whole, surely they could not carry the majority of the House with them in this matter. I may admit that the measure, as it has been gone through, is not a perfect measure, because nothing made by human beings can be perfect, and we shall require in future, in the light of experience, to alter and modify this measure as the time goes, but I must assert that it is the best measure which, in the present circumstances, could be brought into existence. (Hear, hear.) Sir, we did have differences within the House and there have been Honourable Members who had tabled 382 amendments. Sir, may I ask Mr. Puri, when he had expressed a grievance that the amendments were not accepted by the House and by the

Honourable the Finance Member, what would have been the fate of this Bill if all those 382 amendments had been passed? If he says that a particular amendment should have been accepted and the others should not have been accepted, there would be some kind of reasoning. My Honourable friend is a lawyer of high standing, and I would ask him to compose the Bill after making all these amendments which had been moved by the different Members and to say what kind of Bill it would have been if altered by giving full effect to all these amendments. Well, then he would say that that Bill would not be worth reading at all. Now, although we did have differences here and had honest differences of opinion on different points, we all have fought for our views, and the different Members who moved the different amendments had had their say; but if they could not carry conviction with the majority of the House, that does not mean that they were either wrong or that the majority in the House would be in the wrong, and they should not have any grudge, but should take it all in a sporting manner and agree that whatever has been decided by the majority of the House should be accepted by themselves and that the Bill should be passed into law. We should forget all bitter talk and I trust that on this occasion the speeches would be of a kind that may create good harmony on this the last day of this Session and we should all avoid creating ill-feeling, and unworthy attacks on different Members. (Hear, hear.) Sir, I know I shall be voicing the feelings of the whole House when I say that the Honourable the Finance Member really deserves great congratulations from this House. (Hear, hear.) (Loud Applause.) Those of us who had attended the London Committee and the Joint Select Committee could not but admire the manner in which the Honourable the Finance Member carefully took down all the points as they emerged at the meetings every morning and then meeting his colleagues in the afternoon and at night preparing notes and giving to us his resumé and suggestions on the next day. All this no doubt involved a great strain on him and, Sir, for the manner in which he acceded to and met all reasonable demands, he deserves great commendation and the highest congratulations from the whole House. (Loud Applause), and I heartily support the motion which has been moved by the Honourable the Finance Member and I hope the House will unanimously pass this Bill into law. (Cheers.)

Mr. S. C. Mitra (Chittagong and Rajshahi Divisions; Non-Muhammadan Rural): Sir, I rise to support the motion of my Honourable friend, the Finance Member, for passing this Bill into law. ("Hear, hear" from the Official Benches.) I must admit that I am not happy over all the different clauses, but yet I know that the country as a whole will welcome this Bill as a beneficial measure. (Hear, hear.) I know that we have in this House gained only two important amendments. The most important one is about the Agricultural Credit Department which will act as an advisory body and also as a co-ordinating body with the assistance of the Government, and the only other important amendment that we gained against the opposition of the Government was regarding the starting of a London Branch immediately. We have lost on many important amendments, some of which were of first-class importance.—I mean, the question about it being a State Bank and the question about the ratio and the other question about fixing the limit of holding of shares at two-hundred. As regards the two points that we gained in the Select Committee, one about the first Governor being a man of tested banking experience of five years, and the other about fixing the first period of the life of this Bank at twenty-five years with power of

[Mr. S. C. Mitra.]

continuing it afterwards,—on these two points we have lost in this House. No doubt we lost on many other points, but we found that, on such an important measure, there must be occasions when we must agree to differ, and even the Finance Member, who has the patience of a Job, lost his temper once or twice. (*The Honourable Sir George Schuster*: "No, no".) At least yesterday, I think so, when he got up and told my Honourable friend, Mr. Puri, that when he would come to reply to him, Mr. Puri at any rate need not expect sugar-coated pills from the Finance Member.

Sir, I must say a few words in connection with the views which my Honourable friend and colleague, Mr. Vidya Sagar Pandya, was pleased to express here. We know, a patriot as he is, he was very much irritated when we lost the motion about the State Bank. We must give him great indulgence and when he speaks of his banking experience and banking matters, we always give him the most respectful hearing, but when he was administering advice on parliamentary procedure, I think it is my duty to remind him that he was walking on grounds of which he was not sure. I have no apology to offer either for my Leader or Deputy Leader. Even Mr. Puri, when he was abusing right and left all those people who happened to differ from him, admitted, that though he abused some of my Leaders, he praised some Leaders on the other side. He praised Dr. Ziauddin for his perseverance. Mr. Pandya's attack on the Party was not at all justified. He will remember that he was also in the Party when we discussed all these matters and my Leaders expressly said that they would be bound by the Party discipline and that they would not go a step further beyond the Party's decision. We discussed the matter with Mr. Pandya, Dr. Ziauddin and others. There was a very largely attended meeting of the Party. After much discussion we came to the conclusion that in such a controversial matter like the Banking Bill, it is only natural that there should be honest difference of opinion, and the Party by a clear majority decided that the members should be free to vote according to their own principles and conscience on the question of the Shareholders *versus* State Bank. It was Mr. Pandya who was wrong in saying that there was any indiscipline in the Party. I can say with perfect confidence that every member of the Party has full confidence in our Leaders and Deputy Leaders. In this connection, I would like to say that those who were present in the Select Committee know how much Sir Cowasji Jehangir contributed in securing for us material and essential points. Some members of the Opposition tried to secure what they could and express the views of the country and we all felt that, when it came from Sir Cowasji Jehangir, even the Government were very cautious before they refused to accept his demands. I am not a flatterer. I owe no obligation to any body. I feel in my heart of hearts that Sir Cowasji has acted like a patriot and an honest man. He may not have voiced popular sentiments every time, but he always tried to serve his country to the best of his ability according to his lights. A few remarks were passed upon him by my friend, Mr. Puri, for whom I have great respect, because we know that in this House we are very much benefited by his strong advocacy and eloquence in all matters where the popular cause is concerned. I also very much agree with him about his views on holding London Conferences. I personally believe that in all vital matters, which are to be passed for India, the Committees should be held in India, because our representatives in that far off land cannot be in constant touch with public opinion. There

are many vital matters that arise in the course of the discussions and they do not get the advantage of consulting public opinion. This new fangled policy of dictation from England and asking our representatives to go over to England to have discussions or even sending for the Viceroy himself for four months is against the best interests of the country. We know how in the past Secretaries of State usurped the functions of the Government of India. The time has come when this House should strongly protest against these measures. In this connection I must say that the Honourable the Finance Member made it perfectly clear that in spite of any understanding in the London Committee every individual Member of this House was free to speak as he liked and to vote as he liked. If they, after further consideration, like to change their views, they are at perfect liberty to do so, and I would ask my Honourable friend, Mr. Puri, to consider what was the real reason of our defeat in this House. He is a comparatively younger Member of this House, but I can tell him that if a proper organisation of Parties existed and every elected Member was present, whatever his personal views, we would have won many of the points we wanted. Mr. Puri knows that it is difficult for him, being only 12 hours distant by rail from Delhi, to be present on many important occasions, a patriot as he is. Whenever we send for him, he comes, but it sometimes falls to his lot that he cannot come. Today in this House two Secretaries, Mr. B. Das and Mr. Reddi are absent out of 20 members. I think more than 60 are also absent. That is our lot. It is no use abusing one gentleman or using hard expressions or vituperations against persons who may honestly differ from us. There is a consensus of opinion in the country that if there is proper organisation, then we certainly can defeat Government on all important points. Here we have a complaint against the Government also. They take care to see that every nominated Member is present. When he is absent for a day or two, they replace him by somebody else. Mr. Dash goes and Mr. Bartley takes his seat. If Colonel Gidney is detained, then Mr. Bower takes his place. The Government of India Act expressly declares that if Members continue to be absent for a considerable time, 60 days at a time, then Government should declare their seats vacant.

Sir Lancelot Graham (Secretary, Legislative Department): Not "should".

Mr. S. C. Mitra: It is "may". It is permissive.

An Honourable Member: "May" means "must".

Mr. S. C. Mitra: I think I am stating the truth when I say that throughout the life of the Legislature, both Central and Local, it was only in one case that this provision was applied and that was on me when I was detained by Government in jail and my seat was declared vacant. I hope the duty of the Government is not to defeat the Opposition, but their responsibility here in India is far greater. They should see that the Opposition also may properly function. So, coming to the real genesis of the defeat of the Opposition, it is not by quarrelling with particular individuals who honestly differ from us, but, it is due to our own weakness in not having a proper organisation of the Parties. With these words, I support the motion for the third reading of the Bill

Dr. R. D. Dalal (Nominated Non-Official): **Mr. President**, I rise to support the third reading of the Reserve Bank Bill, and to congratulate the Honourable the Finance Member on the prospect of securing the passage of this Bill, which in the past has been so very contentious, into law—a measure which will promote the security and stability of Indian Finance, and which will shape the destinies of the New India in the future. The salient and momentous feature of the discussions and debates extending over several weeks is that a Central Bank for India should be set up without delay. This unanimous decision—this unanimous opinion of not only the Joint Select Committee, but also of this Honourable House—completely stultifies the contention of the Currency League of India and other financial and commercial organisations that the country is in a desperate hurry to have a Central Bank, and that the present time is not opportune, is not appropriate for the establishment of a Reserve Bank. The Joint Select Committee consisted of members who were deliberately chosen as representatives of divergent views. No small praise is due, therefore, to the Honourable Sir George Schuster for his success in tactfully shepherding so heterogeneous a flock into a single fold on this essential point, and the expedient of Minutes of Dissent and amendments has enabled the Honourable Members to give full rein to their convictions without disturbing the harmony of their agreement on this essential point that a Reserve Bank should be set up with all possible speed.

Now, Sir, I wish to say just one word as regards the alleged wrongful competition of the Imperial Bank with the indigenous banks. It has been said that in places where the Imperial Bank and the indigenous banks have branches, the interests of the indigenous banks are very seriously affected. So, it is urged that the agency terms to be granted to the Imperial Bank should not be generous—no privileges, no facilities, no concessions should be granted to the Imperial Bank, or it will act as a deterrent to the indigenous banking enterprise. I regard this allegation as a mischievous delusion; so, Sir, with your permission, I shall take this opportunity to clear away the misconception. Sir, there are three possible methods of competition, namely, attracting deposits, granting loans, and remittance business. (a) Admittedly the Imperial Bank can attract deposits at lower rates than the indigenous banks. But, Sir, even if the Imperial Bank were not in existence, the great majority of these deposits would certainly have gone to the Post Office Savings Bank and other large Joint Stock Banking Corporations, which quote similar rates to the Imperial Bank. It is generally acknowledged that the status of a bank is the chief factor in influencing deposit rates. (b) Owing to heavy establishment charges the Imperial Bank is certainly unable to quote lower rates for advances of a like risk than what the indigenous banks can do. (c) By quoting 1/32 per cent commission for telegraphic remittances to the banks, the Imperial Bank assists their remittance at a very insignificant margin of profit simply to assist the public. The Imperial Bank, as the successor of the old Presidency Banks, is the oldest bank in India, and if it has any advantage over other banks, it is certainly due to its long experience and old established business connections. The Imperial Bank, as a pioneer bank, introduced the habit of banking in many places where there were no banks before. Now, when the habit of banking has been formed and a profit is possible, other banks are entering the field and are keenly competing with the Imperial Bank. The business available in some places is not sufficient to support two banks, and so the Imperial Bank is unable to recoup itself for its earlier

losses. Despite these heavy losses, the Imperial Bank authorities are loath to close any of the established branches, inasmuch as such an action would have a most undesirable repercussion on the banking habit.

Now, Sir, I wish to make one important point, and I have done. Sir, there can be no doubt that the Honourable the Finance Member has all along been animated by the one desire to see India equipped with all facilities, which she needs to handle her financial problems and which are the more necessary now that she is standing at the threshold of important constitutional developments. Sir, I have been a Member of the Legislative Assembly since 1930. I say this not as a boast nor as a compliment, but as a fact. During that period from time to time the warm tribute paid to the Honourable Sir George Schuster by Member after Member is an honest measure of the regard in which India holds the present Finance Member. (Hear, hear.) Sir George Schuster has always shown a commendable sense of realities. His is an outstanding personality who is still young enough to look forward to a vigorous career in England. But, Sir, I submit that Sir George Schuster's task in India is still incomplete, and if he were to relinquish it too soon, it might even be thought that he cared more for his own future and personal ambitions in England than for the real interests of this country. Sir, I consider that it is an obligation upon the person who initiates and embarks upon such a comprehensive financial scheme as the establishment of a Reserve Bank to see it through, and I earnestly hope that the Honourable Member will not take his hand off the plough before the end of the furrow is in sight.

Mr. R. S. Sarma (Nominated Non-Official): Mr. President, as one who was responsible to move a most important amendment, I think it is now my duty in the third reading to give my full support to the passing of this great measure. Sir, my Honourable friend, Mr. Puri, has thrown across the floor a few handsome bouquets to me, and I would have appreciated it far more had it not come from hands that have slung mud at some of my valued colleagues including my own respected and revered Leader. Sir, he said that I was let down even by my own Leader, and it requires some explanation. I would have always explained that position, because I am one of those who very strongly believe in party discipline; and in view of the great interest regarding party discipline in the earlier speeches, I welcome the additional opportunity for me to explain the position, namely, when these amendments were tabled and I requested my Leader to consider them and support us, he told me to the last he would hear all the arguments about those amendments both from those who support them and from the Honourable the Finance Member, and if he felt convinced that there was something in those amendments and they were worthy to be supported, he would gladly support them, otherwise he would not. And, in fairness also to the other Members who did not support my amendments, I would say this that even some Members like my Honourable friend, Mr. Rajah and others asked me what they should do on these amendments and whether they should remain neutral. I told my friends who went to the Government lobby that if they honestly felt that the amendments should not be supported, they should not sit silent, but go to the Government lobby and vote.

Regarding the representative character of some of the London delegates, as my friend, Mr. Ranga Iyer, said, other Members will
 12 Noon. take care of themselves. However, I do not think that any Committee of this House can be called a representative Committee until

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all of us are included in one Committee. I remember, Sir, that when Sir George Schuster mentioned to this House that he was glad to announce that this House would be taken into confidence over this Reserve Bank Bill and would be consulted, there was tremendous applause that he was going to consult the non-official Members of this House. As Mr. Ranga Iyer himself pointed out, there was not a word of protest against this selection and, so far as our Party was concerned, I may say that our representative was a real representative and he was selected at the instance of my own Leader; and when he came back from England, I, as one of the leaders of that Party, invited Mr. Anklesaria to give an account of his labours and, when he told us what he did, we placed on record our appreciation of the services he rendered. Sir, I say that, if we want to develop Parliamentary institutions in this country, we must have the greatest confidence in those whom we send and you, Mr. President, yourself know that, when Mr. Baldwin led the British Empire Delegation to Ottawa, he did not take a mandate from every Member of the House of Commons, and all the conclusions that he arrived at were warmly supported by the House of Commons and by all the people constituting the Conservative Party.

With regard to this Reserve Bank Bill, I think there were three definite issues and I think as far as possible I may say that it is a victory for the non-official Party. The first was Shareholders *versus* State Bank in which you find that even people who are not politicians but commercial men who are entitled to express an opinion on this question have more or less ranged themselves on the side of the Shareholders' Bank. The next point was the opening of an Agricultural Credit Department, and I congratulate my Honourable friend, Mr. Raju, on being able to secure from the Government an acceptance of that. The third important thing was the fixing of the ratio and, as I pointed out in my amendments, I even still believe that my amendments were innocent, that Government would have done well to accept them and I do not believe they are vague or meaningless. Sir, the Finance Member used a sort of involved metaphor that I and Mr. Scott have as middlemen borrowed this from a wholesale firm and the humour was not understood, because many of them were saying all sorts of things about that wholesale firm. What he meant was that we borrowed our ideas, amendments and our arguments from the *Indian Finance* and Mr. C. S. Rangaswami, the editor of the *Indian Finance*. I do not think that either myself or Mr. Ramsay Scott is ashamed of that. We accepted him as an expert and a lot of Members of this House have accepted him as an expert. He was helping a large number of members of the Select Committee; and, as for myself, I can say that the editor of the *Indian Finance* has been my school-fellow and I have known him for the last 26 years and I have always drawn inspiration on financial matters from him and I know even the Finance Member has very often looked to him for his views on important questions.

Mr. S. G. Jog (Berar Representative): Was he examined by the Committee as an expert?

Mr. R. S. Sarma: Whether a particular man was examined or not, it was a matter for the Select Committee to have asked him and I do not think that the Select Committee did well in not asking him to come and give evidence and thus losing an opportunity of having his expert

knowledge. Sir, I was going to say one thing with regard to Dr. Ziauddin's remarks on the Imperial Bank. I think Dr. Ziauddin like myself has drawn inspiration from Mr. Rangaswami and the *Indian Finance* on many matters. I myself, as a keen reader of the *Indian Finance*, support Mr. Puri on one important point in his speech, namely, his condemnation of Dr. Ziauddin about his remarks on the Imperial Bank. Sir, Dr. Ziauddin brought three charges against the Imperial Bank. The first was the charge of excessive commission; I think to some extent Dr. Dalal has answered it. Of the other two, one was that the Imperial Bank was showing favour to Europeans and not to Indians in the matter of advances and about the question of Indianisation of the officers. And I think if my friend had followed the *Indian Finance* and read it carefully he would have found that the charge was wholly unfounded. I have been able to take some figures from that paper itself from which you will find that the charges he levelled against the Imperial Bank were absolutely unwarranted and wrong. Sir Norman Murray gave evidence before the Hilton-Young Commission in 1926 and pointed out that about 67 per cent of the money in the Imperial Bank was from Indians and 33 per cent from Europeans. As against that, the advances to Europeans were only 29 per cent while to Indians it was 71 per cent.

Mr. M. Maswood Ahmad (Patna and Chota Nagpur *cum* Orissa: Muhammadan): Have Anglo-Indians been counted among the Indians?

Mr. R. S. Sarma: I do not think many Anglo-Indians have got any advances worth mentioning from the Imperial Bank so far as I know.

From the evidence before the Central Banking Inquiry Committee we find that the deposits from Indians have increased to 72 per cent and those from Europeans are 28 per cent as against which they have given 75 per cent advances to Indians and only 25 per cent to Europeans. This clearly shows that they have not shown any particular favour to Europeans in the matter of advances. With regard to Indianisation after 1929, as I said in my Simla speech, only one European has been taken since 1929. They have now got 230 Grade officers who are under training, of which 42 are intended for superior training; and they have laid down as a policy that they are not taking more European assistants. I have said all these things, not so much because I want to attack Dr. Ziauddin, but I found that, after the facts and figures I gave, I was able to convert even Mr. B. Das and made him take a reasonable view of the matter, and I have the same hope that I shall convert Dr. Ziauddin also not to fling mud at the Imperial Bank without knowing all the figures.

Sir, with regard to my amendments also, I honestly feel even now that Government would have done well to accept them; but if my Leader has not accepted them, it was not that I was let down, and it is no wonder that after all that the Finance Member explained, after the busy bodies of speculators and the Currency Leagues and their meetings and their propaganda, there was a good deal in what my Leader told me that he did not find his way to support the amendments.

Sir, my friend, Mr. Puri, said that the third reading was a funeral march. I beg to dissociate myself entirely from that view. On the other hand, I think that the third reading is intended for this purpose: that after having fought every inch of ground, after trying to place during the second reading the points of view of the popular side before the Finance Member and coming to conclusions, I think the third reading is intended for the

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purpose of assuring him of all reasonable co-operation and support, in giving him all the support that is needed to raise the superstructure upon the foundation that has been laid, so that the way can be paved for financial Swaraj in this country. However much we might have differed from Sir George Schuster in the earlier stages of the Bill, the country owes him a debt of gratitude for this great financial measure that he has given to this country. Ere long he will leave these shores and, I am sure, that he will go with the feeling that he has given the best years of his life and his gifted talents and international financial reputation for the cause of this great country, and I know that that thought will be brightened and sweetened by the reflection that he carries with him the grateful appreciation of an affectionate people. (Cheers.) I think that nothing would be more suitable than that this country should say—however much he himself as the architect of this great measure will deny himself its privileges—nothing will give greater satisfaction to many of us than that he, with his proved pro-Indian sympathies, should be the guiding genius of this Reserve Bank and be its first Managing Governor with you, Sir, as its first Indian Deputy Governor. (Cheers.)

Dr. Ziauddin Ahmad (United Provinces Southern Divisions: Muhammadan Rural): Sir, I do not like to waste much of the time of the House in preliminaries which every one has entered into. In the first place, I wish to say that every one of us who is elected may be said to be a representative, because we have been sent here by our constituencies; but none of us who was sent to England could be called a representative of the Assembly unless he was elected by the Assembly. There is no doubt about this: then, as regards the functioning of Parties, I consider that that Party functions well in which all its members vote together: not when some of its members vote on one side and some on the other. Looking into the division lists, there is no doubt that there is only one Party which has functioned well and that is the Democratic Party, but I regret that they are not the Independent Party. (Laughter.)

Coming to the question, I do not have a single word to say against those persons who went to England: I was myself a silent spectator and I honestly believe that every one of them gave his honest opinion, what he considered best; it is a different matter if their opinion is not shared by the country or a section of the country outside: it is no fault of theirs. I can only say what I would do had I been placed in a similar position. I would have given my reasons and express my opinion of what I thought best and if I changed my opinion I would give my reasons on the floor of the House, I would give my reasons very clearly that, on account of such and such circumstances, I have changed my opinions: but, at the same time, if I find there is strong opposition, I would not profess that I was leading the opposition when I did not. That is the way in which I would act, if similar circumstances arose. As I say, everybody is exceedingly honest, everybody in this House is an Honourable Member, though the officials do not call us Honourable Members—they consider the other House Honourable: but I think we are all Honourable. At the same time, we should admit that in this particular issue there is very strong opposition in the country.

I have two definite complaints against the Honourable the Finance Member—one relates to the fallacious arguments he has piled up in this

Assembly. If John Stuart Mill had been present in the House, then, am sure, in his next edition of his book on Logic, he would have revised his Chapter on Fallacies, because he mentioned only about 15 fallacies; that was all he could think of: but my Honourable friend, the Finance Member, has really outstripped John Stuart Mill and has put forth so many fallacies which even Mill could not foresee. For example, the fallacy committed by the Honourable Member, having majority of votes in his pocket, saying only "I oppose" in reply to our arguments. The second point is that he has placed Members who unfortunately have not been on the Select Committee in a very embarrassing position: we had quotations from different Members about expert opinions, and I think it is rather unfair that those opinions were not supplied to us: these opinions were used in arguments and we were handicapped. The Honourable the Finance Member himself quoted that the bankers had said such and such a thing: but we on this side had nothing to go upon—whether those bankers were in the position of the lamb before the lion or whether they were interested bankers—we have no information about it whatever: and I think it would have been fair had expert opinions, laid before the Joint Committee, been placed properly before the House so that we could have judged for ourselves. Another thing was that the majority of us had to fall back on the compendium prepared by Mr. Kisch in his book: I am an educationist and we all hate compendiums: we always advise our students to read the original text books and not the glossaries; my Honourable friend himself probably did not take the trouble to read the Central Banks Acts and I just present him as an Xmas present these volumes of the Acts, etc. . . .

Mr. Vidya Sagar Pandya (Madras: Indian Commerce): It is my property: how can you present it? (Laughter.) You are also a sort of *nimboo-nichor*. (Laughter.)

The Honourable Sir George Schuster (Finance Member): I shall accept it with thanks.

Dr. Ziauddin Ahmad: I was just saying that, in doing so, I was following *Halwai-ki Dukan, Dadaji-ki Fatcha* (Free gift from the shop of sweetmeat makers.) Coming to the subject, I will first take up the question of State Bank *versus* Shareholders Bank. I must say that I have not heard a single argument in favour of the Shareholders Bank yet.

[At this stage, Mr. V. K. Aravamudha Avangar was noticed taking certain papers from Dr. Ziauddin Ahmad's table.]

I am glad that the Deputy Secretary of the Honourable the Finance Member has given a demonstration of the manner in which he squeezes out money from the pockets of others, not only the money, but the books which really he had no business to take.

Coming to the issue, I must say that I did not follow the arguments which were advanced, including the discussions on the London Committee, as I was not present about that time, and the discussion, if any, had taken place before I joined the meeting. In the course of the discussions on the floor of this House, two arguments have been brought forward, namely, freedom from political influence and a democratic institution. As regards freedom from political influence, there is no doubt that in this Bill we have succeeded and succeeded very successfully in removing the

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influence of the Legislature altogether, but we never discussed or even touched on the question of the removal of political influence of British politicians; no attempt was made by the supporters of the Shareholders Bank to remove the British influence, and we say that it is really an anomaly, because on one side you say it should be free from political influence, and, when you remove the influence of the Indian politicians, you do not attempt to remove the influence of British politicians. Now, Sir, coming to the democratic side, many Honourable Members, in supporting the shareholders' scheme, thought on the analogy of the companies, that the shareholders will have a substantial voice, in spite of their being scattered all over the country; but, now, after reading through the Bill, they will be disappointed, because the shareholders have little or no power in this Bank. There is only one power left to them, and that is that they will elect the members of the Local Board and not the Directors which will be by indirect election. The balance sheet will be read to them, but a copy of the balance sheet will not be supplied to them, they will have to purchase a copy, and even the very legitimate rights which shareholders in other countries and in other concerns enjoy have been denied to them. I see that my friend is reading very carefully through those papers of which I was relieved, but I am afraid he is reading them a little too late

The Honourable Sir George Schuster: I am listening to my Honourable friend at the moment; I am not reading any papers.

Dr. Ziauddin Ahmad: I am referring to Mr. Ayangar. I see he is reading the book of Bills; he ought to have studied it before he drafted the Bill.

Then, Sir, the next point to which I wish to refer is that, in the case of ratio, I raised three points, and the Honourable the Finance Member did not reply to any one of those points. I do not want to repeat those arguments, but I shall briefly allude to them. The first point was, I said that the devaluation of the rupee was essential to increase our export, then, I said, it was essential to increase our price levels, and, thirdly, I said that the ratio was rather too high, because the prices of the wholesale articles in the United Kingdom and in India were not moving in sympathy to each other: while, in one case the prices have gone up by certain points during the last two years, in the other case they have diminished. Therefore, on account of these three reasons, I suggested that the time had arrived for devaluation of rupees and India was losing very heavily. Now, Sir, the Finance Member himself admitted that our export has gone down; he admitted that the price level has gone down, but he could not give any suggestion or method by which we could achieve our object. When we suggested a method, he merely said that that method would not do, beyond that he did not say anything. I feel he should have put forward some definite suggestions in this regard.

Then, as regards the question of ratio, State Bank and other minor issues, the whole thing has been forced upon us by an argument which cannot stand the test of logic or economics. We were told on the floor of the House that the acceptance of this measure was a condition precedent to future reforms. I do not know when the reforms will come, and I wish that any prophet could get up and say whether the reforms would come in our lifetime. This reminds me of a story. A person lost his camel

and when he could not find it, he swore that he would sell it for nothing, but after a few days the camel was found, and then he did not want to give it away. He devised an ingenious method. He tied a cat round on its neck, and went about, and whenever anybody asked the price of the camel, he said: "it was nothing; but the price of the cat was Rs. 100 and both the cat and the camel must be sold together." But our camel has not got one cat, but it has two cats,—one is the Reserve Bank and the other the Federation of the Princes. Really speaking, we have to pay a very heavy price for these two cats before we can get the camel for nothing.

Then, Sir, I drew the attention of the Finance Member to the position of our reserves, but he has not replied to my points. Looking to the currency figures, I pointed out that we have at present 44½ crores worth of gold and 15½ crores worth of silver,—that is about 60 crores worth metallic reserve, excluding rupees which are really notes printed on silver. At least this amount which we have already got must be kept intact. The Honourable gentleman may say that members of the Joint Committee have made compromises, but we do not follow what those compromises are. We go by hard facts, and that is we have got in reserve at present 60 crores metallic reserve, and I do not see why this reserve should be diminished and why the whole of it should not be kept in reserve. The Finance Member has not said anything in reply to the point I raised, but I still emphasise that we should fix up a fixed ratio in proportion to different kinds of reserves, otherwise this Bank will meet with enormous difficulties.

Next I come to the very important issue of the Rural Credit Department. We know that 71 per cent of Indians live on land, and you will not be doing any good to the people of India if the Rural Credit Department is not established from the very outset. The feeling among those who represent the agricultural interests is so great on this point that they say that if you have got two alternatives, one a Reserve Bank without a Rural Credit Department and no Reserve Bank, then all those people who are interested in land and agriculture say that they would rather have no Reserve Bank at all if there is no Rural Credit Department attached to it from the very outset. The Finance Member has not fully realised the position of the rural people in this country. My friend, Captain Lal Chand, gave a very good account of the condition of the villagers, but I think some one will do a great service to the rural classes if he will take the Finance Member round to some of the villages in India and show him what the actual condition of the villages is, and I am sure that he will come back with a changed outlook, and he himself will advocate a Rural Credit Department for the benefit of the rural classes from the very outset.

Sir, I criticised the question of indirect elections, and I am afraid the position remains the same. I also criticised the case of elections by means of Local Boards, and here also the position remains the same.

The next point I should like to make out is this. We have given the shareholders of India something like seven per cent profit, that is, five per cent guaranteed and one per cent more if there is profit, and one per cent out of the five crores, so that the shareholders will surely get six per cent and possibly seven per cent. If you are going to give these seven per cent as profit to the shareholders, was it not possible to sell

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these shares at a premium? Since the value of the Government securities is only four per cent, it will have rather a bad effect in the market so far as Government securities are concerned, because you are really floating a new loan in which the minimum profit assured is six per cent rising to seven per cent. Had these shares been sold at a premium, that premium could have been put in the reserves, and the country would not have been required to give five crores to *nimbqoo-nichors* which really means a loss of 20 lakhs less to the revenues of India and which will have to be made up by means of fresh taxation.

Sir, there are other very important points, but as we desire to finish the debate on account of Ramzan and Juma prayers, I shall wind up with one more remark. Though we desire a Reserve Bank, the kind of Bank which has been proposed to be set up is one which will not command the universal confidence of the public as my Honourable friend says, of the people of this country, and, so far as I am concerned, the Legislature has been badly off in the whole show. We have followed the constitutions of the other countries in order to have a Shareholders Bank, but the privilege of the Members of the Legislature has been assiduously eliminated. They cannot become a member either of the Local Board or the Central Board. The time has been extended, and the power that Legislatures usually possess to review after a certain interval has been taken away from us. We have got no power in the framing of the regulations, and the power of the Legislature has been reduced to practically nil. For these reasons, I think that the Reserve Bank will be received with great misgiving by the people of this country.

Sir Muhammad Yakub (Rohilkund and Kumaon Divisions. Muhammadan Rural): Sir, throughout the whole discussion on this Bill, I have observed a strict silence, because I thought that it was a highly technical measure to which I could not make a useful contribution. But, with your permission, at this stage, I would like, in a few words, to give expression to my sense of satisfaction that the foundation stone of India's financial autonomy has been well and truly laid. For the last half a century, the political leaders of our country have been trying to attain self-government for India. Financial autonomy is really the substance of self-government, and, as such, the measure which is going now to be placed on the Statute-book of our country is one of the most important measures that have been taken to translate the aspirations of the people of this country. No doubt, no production of human genius is perfect. There are no Legislatures throughout the whole world which are free from flaws and criticism, and I do not claim that the Reserve Bank Bill, which we are going to place on the Statute-book, is a flawless or a perfect measure. But I do hope that, when the Bill has been put to the test of experience, all its rough corners will eventually be softened by means of amending Bills. My revered and learned Professor, Dr. Ziauddin Ahmad,—and teacher, as my Honourable friend reminds me,—who during the discussions on this measure has not only established his fame as a great financier through the help of a new friend, but has also developed a great sense of humour and also the art of story telling and reciting poetry without rhyme (Laughter), has mercilessly attacked the Bill. He has often and often referred us to the examples of other countries like Canada, Australia, Chile and others, and he has asked us to follow the constitution of the banks of those countries. But I

hope, my learned Professor will excuse me when I say that the conditions prevailing in India are quite different from those prevailing in those countries. I do not know that any follower of a Party in any of those countries has ever criticised his leader in the way in which my learned Professor has criticised the Leader of his own Party. He has said that there is no organisation in this House, that there are no Parties in this House; he has shown that even the representatives chosen for the Assembly have no sense of organisation. If this be the state of the country, then I think we cannot say that we are in a position to follow the organisations of other organised countries to which my learned Professor has made reference. My Honourable friend, Mr. Puri, who, for the encomiums which he has showered on the revered Members of this House, deserves a honorary degree of doctor in abuse,—(Laughter)—if he is correct in what he has said about the Members of this Honourable Assembly then I think the cherished goal of Swaraj which we all aspire to is very far off.

Mr. B. E. Puri: It is indeed.

Sir Muhammad Yakub: Then our cry to get reforms and to get a Reserve Bank in which there ought to be no other influence, I think, is a cry in the wilderness and probably we do not deserve even as much as we are going to get. However, Sir, as I said, the foundation stone of financial autonomy in India has been laid by means of this Bill, and I hope that a stumbling block in the way of the introduction of reforms in the Centre has now been removed and the day is not far off when we will find that India gets her proper and respectable place in the British Commonwealth of Nations. Before I sit down, I would like to present a small bouquet of my appreciation to the Honourable the Finance Member for the coolness and cleverness with which he has piloted this Bill. With these remarks, I support the motion.

THE INDIAN TARIFF (AMENDMENT) BILL.

The Honourable Sir Joseph Bhore (Member for Commerce and Railways): Sir, I move for leave to introduce a Bill further to amend the Indian Tariff Act, 1894, for certain purposes.

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That leave be given to introduce a Bill further to amend the Indian Tariff Act, 1894, for certain purposes."

The motion was adopted.

The Honourable Sir Joseph Bhore: Sir, I introduce the Bill.

The Assembly then adjourned for Lunch till a Quarter to Two of the Clock.

The Assembly re-assembled after Lunch at a Quarter to Two of the Clock, Mr. President (The Honourable Sir Shannmukham Chetty) in the Chair.

THE RESERVE BANK OF INDIA BILL.

Diwan Bahadur Harbilas Sarda (Ajmer-Merwara: General): Although I did not take part in the discussion of this Bill owing to my not being well, yet I have much pleasure in supporting the motion of the Honourable the Finance Member, asking the House to accept this Bill and pass it.

Somehow or other, Sir, a Reserve Bank has become a necessary part of the democratic constitution of a country, and it is as well that we are passing and practically have passed this Reserve Bank Bill, as it will remove one of the obstacles which lay across our path to further constitutional advance. Sir, the British Government made it clear that the passing and the successful working of a Reserve Bank was a condition precedent to further constitutional advance, and it is a matter of congratulation, and we are grateful to the Honourable the Finance Member for it that this has been accomplished. At least one obstacle that lay across our path has been removed.

Sir, if the amendment regarding the 1s. 4d. ratio had been passed, nothing would have remained in this Bill to which I could not give my full consent throughout; but, as it is, the measure is a very useful one and I am sure, that though it is not perfect—and nothing in this world is perfect,—it will prove a useful measure and we are glad that this will soon be on the Statute-book (Hear, hear.)

Sir, from what I have seen of the Honourable the Finance Member—and most of us, I daresay, are of the same opinion—I can say that during the time he has been at the helm of affairs, he has worked sincerely for the good of the country and he has successfully restored the finances of this country to a sound basis (Loud Applause), and the passing of this Bill will be the coping stone upon his other great achievements.

There is one thing I would ask him to consider. The advantages accruing to those who will get shares in this Reserve Bank are bound to be so great that I suggest that it would be well to consider whether the Honourable the Finance Member should not issue the shares at a premium of Rs. 50. I have reason to believe that he will be able to get people to underwrite the whole of the capital if he cares to issue them at a premium of Rs. 30 or even Rs. 40 or more. I do not know if this is possible, but this is a matter which, as things stand, is worthy of his consideration. Sir, I again give my wholehearted support to the motion and I hope it will be passed.

Mr. N. N. Anklesaria (Bombay Northern Division: Non-Muhammadian Rural): Sir, one may be pardoned for expressing one's regret that the Government should have been compelled to bring forward some of the most controversial clauses of the Bill for discussion in the House at a time when the prevailing feeling amongst the non-official Members at least is that of fatigue and of irritation at the unconscionably long time they have been kept away from their homes and families. Sir, that may be some

explanation of that very regrettable phenomenon, namely, the lowness of tone of many of the speeches of which my Honourable friend, the Finance Member, complained.

The Honourable Sir George Schuster: I never complained of the low tone of many speeches but only of one speech.

Mr. N. N. Anklesaria: I stand corrected. I will say "mentioned". Let me also supply some explanation of the atrocious nonsense perpetrated by my friend, Mr. Puri . . .

Mr. B. R. Puri: I think you are talking nonsense.

Mr. N. N. Anklesaria: Please do not address me. I think he did say some atrociously nonsensical thing; allow me to remind him . . .

Mr. President (The Honourable Sir Shanmukham Chetty): I think compliments may be confined to the Finance Member and not mutually to Honourable Members. (Laughter.)

Mr. N. N. Anklesaria: Sir, some people are peculiarly constituted by nature, both morally as well as mentally. A Persian poet has said that a dog will bark, a donkey will bray, and evil-minded persons will do and say evil things; and if that Persian poet had heard of Mr. Puri, he would have said that Mr. Puri will use abusive language towards his colleagues in this House. (Mr. B. R. Puri: "Non-sense".) Sir, I support the motion of the Honourable the Finance Member with the fullest conviction that it is in the best interests of our country to have a Reserve Bank and that too immediately. The war has tested many an institution and has proved that the existence of Central Banks in all countries is an imperative necessity for ensuring financial stability. The war has also shown the dangers to which Central Banks are exposed from political influences. Some of my friends have been asking, "What do you mean by 'political influences'?" Sir, I answer that political influence is the influence which dictates the decisions of the powers that be regardless of the interests of the whole country and the whole nation. Sir, peculiarly constituted as this country is and peculiarly constituted as the new Legislature will be in the future, there are avenues through which political influences will operate which may prove detrimental to the interests of the country. Take the instance of the ratio question which has been agitating the country at present. Men who have been waiting for the opportunity to open this question up in order that they may be enabled to indulge in gambling and speculation at the expense of the real interests of the nation have been propagandizing all this time since the Bill has been before the House and they have found supporters in this House as you could have been noticing from the daily newspapers. Sir, at this stage of the Bill, one must be brief and I propose to be brief also. I will not talk in detail about the criticisms which have been addressed against this Bill, but, as I have said, it is a wise compromise of all ideas concerning Central Banking. The question of the Shareholders Bank against the State Bank has been discussed *ad nauseam* and the Honourable the Finance Member has given convincing arguments in favour of the shareholders' scheme; but still, even at this third reading, my Honourable friend, Dr. Ziauddin, had

[Mr. N. N. Anklesaria.]

a long discussion on the whole question. As my friend, Mr. Aggarwal, said, there are none so blind as those who will not see.

Sardar Sant Singh (West Punjab: Sikh). This is the truth you have uttered once.

Mr. N. N. Anklesaria: If the State contributes five crores of rupees to a bank, it has a right and it is its duty to see how that large fund is being managed and, therefore, it is impossible to dissociate the State from the management of that Bank. That ought to be an answer to my Honourable friend, Mr. Joshi, whom I do not see in his place. Then, again, about the Governor General's powers on which Mr. Joshi dilated. The other day, I gave a challenge to Mr. Das, which he said he would take up. I challenged him to show any authority which could settle conflicts in this land of conflicts so very well as the Governor General in Council. Sir, though Mr. Das took up that challenge, he has made no answer. And I repeat that challenge again to Honourable Members, who are against powers being given to the Governor General, to name one authority who would function better in this connection than the Governor General in Council.

Sardar Harbans Singh Brar (East Punjab: Sikh): Mr. Anklesaria.

Mr. N. N. Anklesaria: Yes, I would. Then, Honourable Members talked about the business of the Bank. As I said the other day, the development of commercial banking is as much needed as a Central Bank in India. And it is also a principle of central banking that its investments must be safe investments and that it should not compete with commercial banks. All these principles have been embodied in the various provisions of the Bill. The other day, also the Honourable the Finance Member consented to an amendment which ought to satisfy the interests of agriculturists in India. Lastly, Sir, anybody could see that the recommendations of the London Committee, which the Secretary of State said he would put before the Parliament, have been substantially complied with in the present Bill, and we expect that the spirit in which we have responded to the appeal of the Secretary of State will be reciprocated by the British interests. Sir, it has been said that the Reserve Bank is the greatest measure of financial liberalism that has ever been offered to India and I think every right-minded person, who has studied the provisions of the Bill, will agree with that opinion. Sir, the Reserve Bank is India's contribution to the solution of world problem which is now facing us. The world problem requires co-ordination and co-operation in the banking activities of all countries. It is a great pity that the World Economic Conference held in London in July last failed, but it is also a greater pity that the representatives of the British Empire who met there did not seize the opportunity of evolving an Inter-Empire scheme for the remedy of the present depression. Sir, India has by this Reserve Bank Bill contributed a very large and an essential step towards that consummation of inter-imperial co-ordination and co-operation. In that consummation, if any one man has contributed in a pre-eminent degree that one man is Sir George Schuster. It must be his satisfaction that by this great achievement of his he has earned a place in the hearts of 350 millions of his fellow-beings. Sir, I support the motion.

Mr. Bhuput Sing (Bihar and Orissa: Landholders): Sir, there is not the least doubt now that the Bill is going to be passed practically in the same form in which it emerged from the Joint Committee. But, before it is finally passed, I feel it my duty even at this stage to make a few observations, and I hope Government will see their way to devise ways and means to rectify them. Even in the Joint Committee, we, though numerically smaller in number, raised our voice of protest, but to no avail, as, by a majority of votes at the command of the Government, they defeated us in nearly all matters. Personally I am not so much opposed to the principle of a Shareholders Bank if the scheme adumbrated had been made really with a view to making the Bank free from all political influences from all quarters, be it from a Governor General or the Secretary of State or the party in power in the United Kingdom, Parliament or the Indian National Congress. In the Bill we wanted to carry out certain amendments by which the possibility however remote for a few dominating the Central Board may be obviated as there is no limit to the number of shares that an individual shareholder can hold by purchasing them in the open market after the first allotment. Then we pressed that every shareholder holding share of the value of Rs. 100 should have a vote. Sir, in the Joint Committee, the value of the shares was brought down from Rs. 500 to Rs. 100 with a view that the shares of the Bank may be held by the largest number of people of all shades of opinion and in all stations of life including the rural masses. But, by framing the Bill in such a way, those shareholders holding a share of one hundred rupees each will have no franchise and will have no right excepting to enjoy a maximum dividend of six per cent per annum. Government have defeated the object for which the value of shares was lowered.

Sir, we can never expect that people of humble means will come forward for purchasing a share of Rs. 100 only to earn six rupees a year as profit. An agriculturist, who can afford to invest 100 rupees in the shares of the bank, will not invest it only to earn Rs. 6 a year as by investing the same amount in the purchase of agricultural implements and good seeds and other things, he will probably earn much more than Rs. 6 a year. Then, Sir, even if a large number of people do purchase such shares, it will mean a very large number of votes will be sterilised and thereby the number of voters will be restricted and it will make the way easier for capitalists and political parties to accumulate the largest number of shares with voting rights. This will mean further sterilisation of a very large number of votes as a shareholder will not have more than ten votes irrespective of howsoever number of Rs. 500 shares he may hold. But I am sorry to say that in spite of our repeated requests and appeals Government rejected all our modest demands which we made for making the Shareholders Bank a really popular Bank and to make the Central Board more amenable to popular will as against the will of the Governor General in Council and the Secretary of State. As regards the qualification of the Governor of the Bank the recommendation of the Joint Committee was turned down by the Government by a majority of votes which they have at their command. I still ask the Government to find their way to appoint a Governor who must be a man of adequate banking and financial experience.

Further, Sir, much has already been said about the absence of the control of the shareholders on the Central Board. It is most curious and surprising that the shareholders who are asked to contribute are not given even the least amount of power of passing a vote of censure on the Central

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Board and the power of their removal from office without the intervention of the Governor General in Council. The fundamental principle of an ordinary shareholder business is that the power of removal of the Board of Directors vests in the shareholders at a general meeting. Further, all shareholders of a shareholders concern have got the right of recommending to the Board of Directors the removal of the Executive. But all these powers have been denied to the shareholders of the proposed Shareholders Bank.

Then, in coming to the question of the ratio, I feel constrained to say that Government have altogether ignored the most modest demand of this side of the House for an expert Committee to go into this question before finally fixing the ratio at 1s. 6d. in the Bill. Sir, the subject is a very controversial one, whether the rate to be fixed should be 1s. 6d. or any other lower figure. The economists and the commercial interests are divided into two groups. One group headed by the Bombay millowners are insisting on the devaluation of the rupee. They claim that the rupee at its present exchange rate is definitely overvalued when tested through the price level that is obtaining in India at present. The rupee is linked to sterling and any changes in the value of the sterling must naturally be reflected in the value of the rupee. If the prices that prevailed in the United Kingdom in 1931 are compared with the current prices, we find that they have risen by eight points, whereas in the same period the prices in India have fallen by two points. Thus there is a net difference of ten points between the prices of the two countries which are linked to each other at the definite ratio of 1s. 6d. to the rupee. Further, the general price level in India has gone down much more as compared with the pre-war prices in most other countries like Australia, Argentine, New Zealand and others which are also mostly agricultural like India. It is stated by the protagonists of the devaluation of the rupee that since September, 1931, prices in most agricultural countries which have gone off the gold have risen by as much as 15 to 30 per cent, whereas the prices in India have actually declined. On the other hand, there is another group consisting of great commercial interests and great economists, especially from Bengal, who believe that devaluating the rupee at this stage of trade uncertainty throughout the whole world would be detrimental to the interests of the agriculturists and the consumers. Sir P. C. Roy—one of the pioneers of the industrial concerns in India and who has vast business connections throughout the world—seems to think that the devaluation of the rupee is being made a burning question of India to give indirect protection to the Bombay millowners, but this is thoroughly injurious to the interests of Bengal, both from the agricultural and industrial standpoints. He lays stress that since September, 1931, as a result of the rupee sterling link, our rupee has depreciated to the extent of 33 per cent, but there has been no proportional consequential expansion of India's export trade. The remedy does not lie in the currency depreciation. Sir, India is a debtor country and the Home charges and other external obligations which she cannot disclaim will increase very much by the devaluation of the rupee which will mean more taxation to meet those obligations and every one knows that the poor people of India are already groaning under the burden of taxation and a still further taxation will mean strengthening of the Socialist movement in India. If I may be permitted, I may quote the following extract from Sir P. C. Roy's statement issued a few weeks ago on this controversial matter. He says as follows:

"I am intimately connected with a few industrial concerns, and the devaluation of the rupee is calculated naturally to give some fillip to the Indian industries by raising the prices of foreign articles competing with the products of such concerns, for example, the prices of drugs manufactured by Bengal Chemical will naturally go up; but we must not approach the question from a selfish standpoint. I must see that the interest of the many are not subordinated to those of the few capitalists."

He further on adds as follows in this connection:

"Moreover, owing to the continued trade depression and trade slump, the purchasing power of the poor agriculturist has been reduced to absolute minimum. Now, as a consequence of the devaluation move, which is very doubtful, to raise prices of agricultural commodities will certainly raise the prices of all other articles and will hard hit the consumers. It will then mean killing the goose which lays the golden eggs."

In order to prove the results of the devaluation of the rupee, a very careful comparative study with reliable data for price movements in different countries (both on gold and off gold) with the course of price movements in India is required. It is not possible to do this in the course of this discussion. But, as far as I could understand, the comparative study, as published by the *Indian Economist*, dated the 23rd October, 1933, has proved that the rupee is not overvalued in relation to sterling. Further, the analysis of the balance of trade does not reveal any permanent overvaluation. Sir, I think every student of even elementary economics knows that inflation of currency has always proved suicidal to countries and that course is adopted as the last resort if no other means are available to meet the situation. If she could weather stormy days of 1931 and 1932 without inflation, I do not think we should try that method now that the horizon is getting clearer day by day.

Considering all the divergent views and in spite of the fact that the amendment to the Bill for a committee of inquiry has been defeated in the House, I still appeal to Government to find their way to appoint an expert committee on their own initiative for investigating this controversial question to allay public feeling.

Before I conclude, I must take this opportunity of congratulating the Honourable the Finance Member for meeting us on the question of reciprocity to the dominions, for accepting the amendment to the effect that the gold reserve will not be exhausted so long as other securities held in the reserve are available for disposal for meeting emergencies. These are small mercies, but I am thanking him only because, knowing it fully well that he could defeat every amendment in the House and knowing fully well his own strength that he accepted them, and naturally he deserves congratulations.

Lastly, let us hope that the establishment of the Reserve Bank will remove a long felt want of a national institution which will always look to the prosperity of the country by properly controlling the credit and currency policy.

Hony. Captain Rao Bahadur Chaudhri Lal Chand (Nominated Non-Official): Sir, it is customary to congratulate the Honourable Member in charge on the third reading of a Bill, but in this present Bill the congratulations are not customary, but they are sincere. In no other Bill have they been so well earned or so well deserved. Sir, the Bill has had the support of all sections of the House. Mr. Puri divided the House into three categories. First, he placed those who had been nominated by Governments in a group and he excused them by saying that they must go with Government. Then he brought in those elected Members who by habit go with Government and he excused them also. In the third category he placed those who sometimes go with the Opposition and at other

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times go with Government. He left out a fourth class which stands in a category by itself, and which contains some very learned and gifted persons, but one of whose qualifications is always to oppose Government rightly or wrongly. Except this class, the Honourable the Finance Member has had on this Bill the support of all the three other sections. No, I am wrong; he has had the support of this class also, though it has been passive and not active, because some of them absented themselves on crucial occasions. Sir, Mr. Puri referred to certain remarks that fell from the Finance Member wherein he said that Mr. Puri had brought the debate to a low level. He said that lawyers, whenever they get a weak case, go into these side issues. But by saying this he has probably given a handle to the Finance Member, because, during the 50 minutes that he took in his long and learned speech, he said very little on the Reserve Bank Bill itself and was all the time dilating upon side issues. Probably he was conscious of the weakness of his case and had to resort to this tactic. Sir, I hold no brief for the Honourable Members who went to England, but I must say that the attacks and criticisms in this House, particularly from Mr. Pandya and Mr. Puri, have been most uncalled for and unjust. The only fault of these Honourable Members who have been occupying front Benches and who have a very good record in this House was that, after having gone through a special Committee in England and a Select Committee here, they refused to be led by the back-benchers, although the political leaders of this country of the highest rank have been known to have been led by their followers when the followers have refused to be led by them. During all these debates Mr. Puri has been keeping quiet, and when they were crossing the floor to join the Government ranks he did not say anything. I am very sorry that a Punjabee should have been guilty of this charge, because we Punjabees are known to go straight and meet the enemy in front. I have been thinking over it and I find that this trait of character has probably been acquired by my Honourable friend, Mr. Puri, through his association with the Bengali colleagues of his Party. Last year, I went to Calcutta and there I saw many millionaire friends, but I was surprised to find that at the gate of every one of them there was an up-country durwan. I inquired the reason why they were bearing all this expense of importing durwans from such long distances, and the reason that struck me most was that they were not in the habit of meeting the enemy in front and so they must place somebody else to meet the enemy. Sir, I remember a story about a durwan. A Bengali Babu fell out with his own durwan once and the durwan was abusing him right and left, but this man would not give any reply and walked silently into his office. A passer-by was standing, and he said: "What is this? This man has been abusing you, and you are not replying. What does that mean?" He said: "No. I am going to my office and I will write a very strong article against this man in the *Amrita Bazar Patrika*". Their representative character has been questioned here: I do not know about other Parties, but, so far as the United India Party is concerned, Mr. Yamin Khan had then, and still enjoys, the fullest confidence of his party and we have been acting like a team in voting on this Bill.

As regards the Bill, I have special reasons to be pleased with the provisions in regard to rural agency that have been so kindly agreed to by the Finance Member. I do not wish to dilate upon the old story of the indebtedness or the poverty of the agriculturist and I shall only say that there are some people who are politically depressed, but we are financially

depressed; and we need special treatment. An expert agency will be set up as has been promised, but I may point out to the Honourable the Finance Member that this expert agency, if it is to do any good to us, should consist of experts in *practice* and not experts in *theory*. Dr. Ziauddin has referred to me if I could show the Honourable the Finance Member some typical villages round about Delhi as I happen to be very near Delhi—only forty miles from here. If the Honourable the Finance Member can very kindly spare one day before the next Session, it will be a great favour to the agriculturists, and in one day he will be shown typical villages. Sir, this is necessary, as he does not get many a chances of seeing the village life. I was once interviewing Lord Reading just at the time of his departure, and I respectfully submitted to His Excellency that he had been living here for five years and it would have been better that he should have seen India also before he left. He felt surprised, and said "What! Have I been working all these five years with my eyes shut?" I said to him: "India is not living in Delhi; India is not living in Simla; India is living in huts to which you have no access, and these hut people have no access to you." So, if the Honourable the Finance Member wishes and finds time to see India, I promise to show him rural India. . . .

Sir Cowasji Jehangir (Bombay City, Non-Muhammadan Urban): He must live in a hut then!

Hony. Captain Rao Bahadur Chaudhri Lal Chand: I wish, no could. Another thing on which we can congratulate the Honourable the Finance Member is that he has set up an institution where the Indian States and British India will be equal partners on equal terms; and in this way it would give us an idea of the Federation that is coming. I do not wish to take more time of the House; I again congratulate the Honourable the Finance Member on the sympathy he has very kindly shown to the agriculturist and also on the success he has achieved in this Bill and hope he will see that this Reserve Bank is set in motion before he leaves us.

Raja Bahadur G. Krishnamachariar (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): Sir, I join in the chorus of congratulations that have been showered upon my Honourable friend, the Finance Member, and I think he richly deserves it, but I am sorry I cannot make him an Xmas present following the example of my friend, Dr. Ziauddin. Instead, I will say a few words about criticisms. All of us in public life are exposed to criticisms; without criticism this life in this world would not be worth living; but there is a sort of criticism which, although one pays attention to it, one need not very much trouble about, and that is what is contained in a little homely story that obtains in Southern India. A grandfather and grandson were both going with only one horse to take them; at first the grandfather sat on the horse, and the grandson was leading the horse; a crowd of people collected and said: "What a pitiless old fellow: here is a young boy walking all the way and the old devil is sitting on the horse". He got very ashamed and got down and put the boy on the horse. A little later on another crowd collected and said: "What an extraordinary thing! This sturdy fellow gets on the top of the horse and lets this old man limp and go". So they did not know what to do; the boy came down and, a little later, both of them sat on the horse. Another crowd collected on the way and said: "What cruel fellows! One unfortunate little animal carrying these two fellows on its back: how is the animal to go on?" So both of them got down and eventually they walked home,

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the horse being led by them. That is the sort of criticism that most of us get in public life, and so we need not trouble much about it. Criticisms are very often like that, but we go on in spite of it, and it is just the sort of criticism that one meets with in life: therefore, I would ask my Honourable friend, the Finance Member, not to be troubled about criticisms at least hereafter, because there will be no more motions of Dr. Ziauddin on which he has to get up and say "I oppose this also." . . .

Dr. Ziauddin Ahmad: That is a new form of fallacy.

Raja Bahadur G. Krishnamachariar: But there is one thing that I must say in defence of my Honourable friend, Dr. Ziauddin. I have no complaint against him as my friend. Sir Muhammad Yakub, had, notwithstanding the fact that probably at times my Honourable friend, the Finance Member, got worried and felt irksome at these constant demands "No. 239: Dr. Ziauddin Ahmad: Not moving—No. 240—consequential amendment not in order, and so on". It has been going on like that and I would ask him to remember a little story that obtains among us: as stated in our Puranas, there is a mythical bird, called the Chitaka: this bird is supposed to have a hole in its throat so that any water that falls straight from the top only can go in; otherwise, it goes out through the hole in the throat. The point is, we have been so much harassed and so much troubled and depressed that, whenever there is a rumbling, we think a cloud is coming and it is going to rain and we can put up our beaks to see if we can catch at least one drop and that is the position of my Honourable friend. He feels that time after time we have been bailed of our natural rights and said to himself: "If there is a chance, I shall try and get something out of it". But as the great poet Bhartrihari sang:

Kochā vṛṣṭibhīrardraṇaṁ śatameva quereṇa Kochā vṛtha,

"Some clouds pour rain: others merely thunder and go away empty."

We cannot help it. That is the position. The summer cloud which thunders never gives us rain and, consequently, I am not surprised that in spite of the earnest attempts of my friend, Dr. Ziauddin Ahmad, who time after time, was consulting everybody, went about here and there and wanted to find out whether there was one amendment at least that he could get through out of the 349 that he had collected: he was not successful; but better luck next time. There is eternity before us and it does not matter if at first you do not succeed. Try, try and try again. Consequently we take courage. The late Mr. Gokhale said it is our lot at present and under the existing system of Government to serve our country by our failures: another generation will come which will serve the country by their successes: that generation we see from afar, like Moses did the promised land; but when it is coming, I cannot say. Nobody can say. However, I hope it will come some day and give some relief to my friend, Dr. Ziauddin, for all the altruistic attempts that he made these 22 days, in spite of the cold, and put amendment after amendment only to be opposed by my friend, the Finance Member, in merciless succession. That over, I have got my own complaints just as everybody else had in connection with this Reserve Bank Bill. I tried to put into the Statute specific cases of Indians holding so much percentage of shares and Indians being appointed to important posts, but time after time the whole thing was thrown out. Unfortunately I confess that in my feverish haste to get my point passed, I forgot to mention that in clause 10 of

the Bill the very qualifications the Finance Member resisted against all my attempts he had himself entered. If I had known it, I should have brought it to notice; unfortunately I did not remember it, and so he had his own way, and my friend, Diwan Bahadur Mudaliar, spotted him—and said: “You won’t have any other qualification, why do you have it here?” That too went away, but it is no satisfaction to me. Anyhow, we have fought, we have lost, but it does not matter.

Now, the most important reason for which I am congratulating the Finance Member is that, from the very commencement, howsoever much this House had made up its mind to oppose inch by inch the Reserve Bank Bill, it had also made up its mind that we must have a Reserve Bank. It is not only because a Reserve Bank is a condition precedent before the reforms came into existence,—I do not know when the reforms will come,—but I say that the country’s finances would not have been so badly managed if there was a different authority to manage our currency who could stand up against the Government of India or probably against the attempts of those other gentlemen over there six thousand miles away and say: “Now, you cannot touch my currency”. If we had this Reserve Bank, say, six years ago, there would have been a different story. Now, Sir, the House is going to put its seal upon this Reserve Bank, and it is an accomplished fact. Therefore, Sir, the Reserve Bank goes out with my blessings, and I am entitled to do it. For five thousand years, it has been my privilege to shower blessings only for a little *dakshina*, but what is the *dakshina* that I want from the Government of India? At the early stage of the Bill, I had asked that power to amend this Bill should lie in the hands of the Governor General as advised by his Finance Minister. Neither the Finance Member nor the Government of India know as a collective body what is going to happen, whether it is going to be a Governor General at his discretion or it is going to be a Governor General as advised by his Finance Minister; but, Sir, everybody, who has read this book “Law and Opinion in England” by Dicey, would realise the fact that, however much a Bill may be cleverly conceived, however much it is legally and philosophically drafted, when it goes before Parliament, all of a sudden some amendment comes up. Ministers swear at the amendment that it won’t dovetail into the Bill, but yet the amendment is carried and then they all sit down to revise the thing. Consequently, although we do not know what Parliament is going to do, I would very respectfully ask the Finance Member first to take with him the Government of India as a whole body, and then they should represent the strong feelings that exist in the country that in matters of this sort it will never do to give the power to the Governor General in Council at his discretion or upon the strictest understanding that the Secretary of State will not interfere with his discretion as unfortunately he had done in 1931 when within 24 hours a very very good piece of Ordinance, so far as India was concerned, was repealed, and it was actually repealed. Now, I entirely associate with my friend and colleague, Mr. Sarma. My friend said that the Government asked us to organise the Parties, because, unless there is a strong opposition, there is no good of having a popular Assembly. Sir, so far as my Party is concerned,—it is a small Party, and we always start with small beginnings,—we have been working very well, and what I now desire to publicly acknowledge is that although, as a nominated Member, Mr. Sarma’s loyalty was primarily with the Government side, he was never approached by anybody on behalf of the Government, nor was he asked why he moved his amendment. That is a compliment to the Government, and that shows how the

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Government help us, but if you do not help us, and if you have the sort of speeches that we heard the other day, to which I shall not refer, then it is our own fault.

Sir, before I conclude, I again say that I give my hearty blessings to this Bill, and I join in the wish that my friend, Mr. Sarma, expressed that when the Bank starts we shall have the Finance Member as its first Governor, and you, Sir, as the Deputy Governor.

Nawab Major Malik Talib Mehdi Khan (North Punjab: Muhammadan): Sir, when the Reserve Bank Bill was introduced in the House, I felt as if a ship had been launched in tumultuous sea full of shoals and an ugly looking rock looming large in the horizon in the person of the Finance Member. The ship went on avoiding all the shoals towards the rock, and, to the great surprise of the inmates, it was discovered that what appeared to be a rock was nothing of the kind, but a substance, which was floating and coming towards the vessel, which it met half way. Its fear was removed from the minds of the people of the vessel because they found that it helped the ship to get to its haven, for which the Honourable the Finance Member deserves our best thanks. It is praiseworthy that every inch of the ground has been fought with a fairly satisfactory result, and it is a matter for congratulation that the whole thing has been managed in a sportsman like spirit.

But, Sir, I am very much dejected to see that the trend of the speeches since yesterday has turned towards undesirable direction. It is a pity that some personal remarks have been made which have met with counter remarks. I wish we could avoid attributing any sinister motive to any Honourable friend, because there may be some excuse for it. It was best that the subject should not have been introduced into the debate. However, I expect that it is all over by this time, and as the ship, as remarked above, has reached the shore safely, we have to take out the merchandise and see to what best advantage it can be put.

I am glad, Sir, that on this occasion the zamindar has really gained something. My friend, Mian Abdul Aziz, very eloquently described his condition, and I seek the indulgence of the House to bear its repetition in the words of an Urdu poet. The line runs as follows:

"Wahi Katil wahi shahid wahi Munsif thaire

Akraba mere karen khun ka daawa kispar."

This, translated into English, means:

"They are themselves the murderers, the witnesses and the judges. Where should my relatives lodge their complaints for murder?"

Well, anyhow we have got what we could and ought to make the best use of it by setting to work. The foundation has been laid and every effort should now be made to build further instalments of self Government on it.

I conclude my remarks with another line of a Persian poet which runs as follows:

*"Shabe Majnu ba Laila guft kai mahhube be hamta
Tura ashik shavod paida wala Majnu na Khawahad Shud."*

which, rendered into English, is:

"One night, Majnu (who was the lover) told his beloved Laila: 'Oh, unparalleled beauty!

I know you will get many lovers, but there will not be any one like Majnu'."

The zamindar is in the position of Majnu. He provides the Government with the heaviest funds in the way of taxes and my friends on the other side of the House with the necessities of life. I would, therefore, request all to keep him in mind, because you will never get his match in this selfish world.

Diwan Bahadur A. Ramaswami Mudaliar (Madras City: Non-Muham-madin Urban): Mr. President, I rise to support the passing of this Bill. I have deprecated on more than one occasion the staging of gladiatorial fights by Members on this side of the House, to the delectation of Members who sit on the Official Benches. I do not think we shall be advancing our cause in the slightest degree by having aspersions cast against each other, we who are elected Members of this House, by trying to ridicule each other and, above all, by trying individually to pass off as the greatest patriots and as the highest politicians that any part of this country has produced. Today, if I am forced to dwell very briefly on some of the remarks of some of my friends, it is not because I want to indulge in a gladiatorial fight myself, which I have deprecated, but because I feel that my silence on the subject will be misunderstood and that those who make these attacks may feel emboldened and think that they can make further attacks without the slightest justification. My Honourable friend, Mr. Vidya Sagar Pandya, deserves respect from all of us. By age, if by nothing else, he should be immune from criticism from a person like myself. By his experience of the banking world he must be taken to have understood a great deal of the subject that we have been discussing during the last three weeks. But when he talks of politics and political parties, when he tries to enter an arena of which he himself has confessed he is blissfully ignorant, he invites criticism which he otherwise would not have had.

Mr. President, there has been a great deal of talk in this House about the sterilisation of voting rights and my friend, Dr. Ziauddin Ahmad, has worked out a beautiful mathematical problem by which he makes out that only 300 voters will be eligible to vote. But what is far worse is the sterilization of ideas, the sterilization of thoughts on this question of a Reserve Bank; and I must say that so far as my friend, Mr. Pandya, is concerned, whatever development there has been with reference to his ideas with regard to a Reserve Bank, they have stopped short in the year of grace 1927. Sir, if you go through the proceedings of those days when Sir Basil Blackett introduced his Bill and read the speeches of my friend, Mr. Pandya, and try to read the speeches he delivered during the last few days, you will find—indeed you must have noticed this, because you were present on the other occasion also—that the same ideas are being

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repeated, almost the same language is being repeated time after time. It is my misfortune and not my fault that I am unable to accept today the ideas of 1927 which Mr. Pandya has tried to force on the attention of the House on this occasion. Even the poetic efforts of my friend have stopped short with the year 1927, and there is no new development today whatsoever. Speaking on the second reading of this Bill, my friend quoted in an eloquent speech of his a piece of poetry:

"Of Augustus and Rome,
The poets still warble,
How he found it of brick,
And left it of marble
So, of Schuster and India,
Men say without vapour,
That he found it of gold,
And left it of paper."

Speaking on the 30th of August, 1927, my Honourable friend said:

Of Augustus and Rome,
The poets still warble,
How he found it of brick,
And left it of marble.
'So, of Blackett and India,
Men say without vapour,
That he found it of gold,
And left it of paper.'

Incidentally, Sir, I should like to know from my friend, with his banking experience, how, if Sir Basil Blackett found it of gold and left it of paper, Sir George Schuster, coming immediately after him, found it of gold but is leaving it of paper. (Laughter.) This is probably a problem of gold reserves which my friend may be called upon to explain at a later stage.

I do not want to take him more seriously than I can help. I confess I have not come forward in this House in connection with this Bill with any special bitterness against any institution or against any measures. I have not got that bitterness. It may be that I have the very good fortune of not having got the personal experiences in the banking world which Mr. Pandya has got and, therefore, I am in a position to look at these problems a little more fairly perhaps. My Honourable friend, Mr. Aravamudha Ayangar, referred in one of his speeches to bankers being cribbed, cabined and confined and having a narrow vision and not being able to appreciate certain fundamental problems of a Reserve Bank. I do not know whether my Honourable friend had Mr. Pandya in view or not, but I venture to think that certainly the banking experience of Mr. Pandya has not enabled him on this occasion to deal fairly with the measure that has been before this House for discussion.

Sir, the Honourable Mr. Puri comes from Lahore. I understand he is a criminal lawyer of considerable eminence. I can quite appreciate the fact, after listening to him for 45 minutes yesterday. For sustained vilification, for continued abuse, for malicious statements deliberately made against individuals of whom he can possibly know very little, I do not think this House can find a better type than my friend, Mr. Puri. He imagines that he has made a great hit. Sir, he does not know much of the Reserve Bank Bill. He has not understood its main provisions. He can make a speech occasionally, for instance, on a subject like 75 per cent. of shareholders being Indians.

Mr. B. B. Puri: I never said I posed as an expert

Mr. President (The Honourable Sir Shanmukham Chetty): The Honourable Member does not yield.

Diwan Bahadur A. Ramaswami Mudaliar: He can make a rattling speech on the question of having 75 per cent. of the shareholders as Indians or on the question of the Governor or the Deputy Governor being Indians. That does not require a man having an elementary knowledge of the Reserve Bank, to know the point of. Anyone can speak on such a question. But it seems to me that where one does not understand the real details of this scheme, has not appreciated the principles of the Reserve Bank system, has not yet made any study of this question, one can only have recourse to the sort of speech that Mr. Puri has made. (Hear, hear.)

Sir, as I said, I do not want to indulge in vehement recriminations as between the elected Members of this House. There is, if I may take the House to a higher plane, a point of view from which the speech of my friend, Mr. Puri, becomes very interesting. In the days to come and in the months before us, we are going to hear speeches like that of Mr. Puri very constantly either on the floor of the House, as I hope not, but at any rate throughout the country. Sir, there are two schools of thought in this country. One which believes in using the language of military warfare and thinks it discharges its duty to the country by talking of a united front of opposition, by talking of fighting to the last ditch, by indulging with great fervour in the language of military warfare and using such military metaphors as they can think of. There is another school which believes that they also serve who only stand and wait and that they also contribute to the greatness of their country, who try to look both at the obverse and the reverse of a picture, who try to appreciate not merely their own position, but the position of those who are on the other side, and who believe that, by occasional compromises by accommodation where no vital principle is involved, the progress of the country is better assured. And having regard to the history of this country during the last four or five years, he must be a bold man indeed who still ventures to come forward and say that by using military language and wild threats and similar displays he could serve the cause of his country. (Loud Applause.) Sir, I remember having read somewhere about the manner in which the savages of South Africa used to fight when they had to meet European civilized troops. On the eve of the battle, the savages would meet in great numbers; they would beat their drums, they would drink in anticipation of victory, they would paint themselves with all those war decorations which the African savages use, they would dance the whole night. But in the morning when the battle began, the victory was not to them who had exhausted themselves the previous night, but the victory was to those who knew how to use the instruments of methodical and scientific warfare,—the breech-loaders, the armed guns and all those scientific instruments which quell an enemy and ultimately bring victory in these days. Sir, there are those who want to dance the Zulu dance both on the floor of this House and in the country; there are those who want to behave like the wild Dervishes and have their names prominently featured in newspaper articles and who feel satisfaction at that fact. There are others who come in for a great deal of criticism in this House, a greater degree of criticism perhaps amongst certain sections of the Indian newspapers,

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but who feel that, perhaps, their methods have been to some extent responsible for getting some wee bit benefit to their country. (Hear, hear.)

Mr. B. R. Puri: How very clever!

Diwan Bahadur A. Ramaswami Mudaliar: Sir, as the months go by, I am perfectly certain that these two schools of thought will develop, these two points of view will be prominently before the country, and the historian of the future will judge who has served his country better and who has for the sake of fleeting, ephemeral and evanescent popularity of the passing hour indulged in all the fallacies of the market place and made himself the protagonist of meaningless and empty shibboleths.

Sir, as I said, I do not want to refer to these instances more than I can help, and now I turn to my own Party. There has been a great deal said about my Party, but I should like to take this opportunity of expressing my personal gratitude to everyone of my colleagues in the Party for the way in which they have supported us, for the way in which they have placed their confidence in us. Sir, this Bill is a peculiar Bill, because it deals with the position which is likely to arise in the near future: it deals with the coming Constitution. To that extent it is different from any other Bill that has been introduced in this House. Therefore, necessarily, there have been divergences of opinion. If this Bill had nothing to do with the new Constitution, probably there might have been a greater unanimity amongst all of us whichever Party we might belong to, but as it has a vital bearing on the coming Constitution, there have been, as I say, different opinions with reference to some of the aspects of this Bill. But whatever differences there may have been, at no time, to any extent and under no circumstances did a single member of my Party question the honesty and *bona fides* of my Honourable friend, Sir Cowasji Jehangir or even of my humble self. Repeatedly we put it to them in the Party whether they wanted a change of leadership— and I am not disclosing any secret—and repeatedly in the course of these discussions we have had the most complete proof of their standing by us through thick and thin. (Loud Applause.) Let me now say a word about my friend, Dr. Ziauddin Ahmad. I can assure my friend, Mr. Puri, that Dr. Ziauddin Ahmad and those vicious people who sit on either side of him are today as firm friends politically and socially as they have ever been before. Sir, the House has sometimes laughed at Dr. Ziauddin. But the House has more often laughed *with* him when he gave us his inimitable stories in the course of this Bill, and I venture to think there is no single Member of this House who is not full of admiration for the labours, the persistent and, in fact, the almost super-human efforts that Dr. Ziauddin has made in what he considered to be his duty of opposing tooth and nail all possible provisions of this Bill. We may not agree with him, but I think he deserves our respect for the way in which he has carried out what I consider is a clean fight, apart from personalities, apart from making innuendoes, without making insinuations, without making oneself the only patriot and describing all others as the undesirables and such else as have been stated by some on the floor of this House. That is a lesson by itself.

I should like to take this opportunity of expressing my appreciation of the very generous statement that my friend, Sir Leslie Hudson, made this morning. Sir, in the heat of debate we do say things which we may not

care to repeat and it was very handsome of Sir Leslie Hudson to have explained quite candidly that he did not mean to make any aspersions. Sir, it is a tragedy of Indian public life that we should receive fair treatment from a European gentleman and foul treatment from an Indian colleague of ours. That is the tragedy of Indian life today! That is the tragedy to which every man who wants to serve his country is subjected in every province in India. My Honourable friend, Raja Bahadur Krishnamachariar, expressed sentiments very similar to that. We do appreciate the position. We know that we lay ourselves open to all these charges and attacks. I knew that when I accepted an invitation to take part in the Round Table Conference and gave up what I thought were fairly certain chances of preferment in my own province and went to England on the occasion that Lord Irwin asked me to go there; but I felt that I would thereby play a much better part in the fight for the future of my country, and whatever I did, I hope it would advance a little the cause I have had at heart, the cause of getting for this country responsible self-government. It is no surprise to me to hear such attacks. I have had many Puris in the Madras Presidency to contend with. I thrive on them. My successful public meetings have been held just because of these Puris in Madras. If my Honourable friend could take his patriotism to Lahore and try to preach to Raja Narindra Nath and Pandit Nanak Chand to show a better example of Indian patriotism when they meet at Round Table Conferences and not to tell the members of the Joint Select Committee or the British representatives of the Round Table Conferences that the Punjab is not fit for responsible Government or that the Mussalmans or Sikhs behave in a manner that it will be dangerous to transfer law and order in that province to Indian hands, I think he would be doing a better service to the country than by getting up and trying to lecture to those who have been much longer in public life and in political service than Mr. Puri has ever been or can ever afford to be.

Sir, let me come to the Bill and leave aside these somewhat irrelevant considerations. I am glad that this Bill is about to be passed into law. I consider this as the key stone of the arch that we hope will come into existence very soon and that the passing of this measure will be taken by the Secretary of State and the British Parliament as a measure of our earnest, our goodwill and our *bona fides* and desire to show that we will do what little lies in our power to hasten the day for financial responsibility. At the time of the first Round Table Conference, it was Lord Reading who suggested that the financial responsibility must depend on the coming into existence of a Reserve Bank. Some of us said that to the extent that lay in our powers—and I had just been elected a member of the Legislative Assembly—we shall do our best to see that a Reserve Bank which was fairly satisfactory to us will come into existence. I am glad that the statement which I was privileged to make in January, 1931, has been fulfilled today and that the Reserve Bank is coming into existence. Eucoriums have been paid on Sir George Schuster. I do not want to add to his embarrassment, but I must say in fairness to him that during the last six months he has devoted himself whole-heartedly and earnestly both at the London Conference and since his return to this country for the passing of this measure. My friends who were in the Select Committee will be in a better position to state to the House how he has worked, what accommodating spirit he has shown to the extent that he was allowed to show, but I should like to take this occasion of stating, in spite of my friend, Mr. Pandya, repeating the story of the camel and the donkeys, that we

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the donkeys, if that was the point of his story, do appreciate the work of the camel and that we are not ashamed to have played our part and I do not think the Honourable the Finance Member is ashamed to have played his part. Sir, it must be a matter of proud satisfaction to the Honourable the Finance Member that after weeks and months that he has spent in connection with this Bill, tonight the Bill will become law so far as this House is concerned, and that a measure of great beneficence to this country and, what is more, a measure of great possibilities for the future has been successfully piloted through this House. (Applause.)

Mr. Jagan Nath Aggarwal (Jullundur Division: Non-Muhammadan): Sir, speaking at this late hour of the day, I have no desire to rake up old controversies and to strike any jarring note. I can safely say that it is in more senses than one a momentous occasion. One of the conditions precedent to Federation coming into being was the establishment of a Reserve Bank in this country and with the passage of this Bill, which is in sight, one may say that the first of these conditions is being fulfilled. Most of us in this House and outside have all been in favour of the idea of a Federation of British India with Indian States. The process has been long and laborious and some of us have now come to think and feel that we are asked to pay too heavy a price for that Federation. But, in spite of all that, we still think that progress will be registered by having a Federation with the Indian States and, from that point of view, I welcome the passing of this Bill in spite of its shortcomings. We may as well look upon this measure as the crowning stage in a fairly long journey. The Honourable the Finance Member has been at it for more than six months and now that the ship has come into port, we may safely congratulate him in more senses than one. His ship has received no serious knocks on the way and that is my chief regret. I always expected the ship to come into port, but if it had received a few knocks on the way and if its skipper had been nervous on the journey, we might perhaps have been able to congratulate ourselves also. But, as things stand it is only he who is to be congratulated.

Mr. C. S. Ranga Iyer: Congratulate also the ship for not having sprung a leak. (Laughter.)

Mr. Jagan Nath Aggarwal: It was not bound to do so. Congratulations are due to him, because he has fared better than his predecessor who was in charge of a similar Bill. This Bill has come to a successful end, and let us hope, it shall have a career of usefulness and service to this country. And, now, if we were to look back, after giving all praise to the skipper in charge, one is led to certain considerations not with a view to unnecessary display of political views or with a view to recrimination, but in order to take stock of the situation and with a view to devising measures for the future. It is because of this that I am trying to look into this matter. The Honourable the Finance Member has been helped a great deal indeed by the report of the London Committee. Now, what is this London Committee of which we have heard so much and which has led to so much warfare on the floor of this House not only between the Government side and the Opposition, but in the Opposition itself? What is this London Committee? Now, this London Committee, if one may say so, is a Committee of this House. Some people were taken from this House—not

appointed by this House,—they were talked to by experts far away from this country and there evidence on the Reserve Bank and for the structure of that Bank was placed before them. These gentlemen were convinced by it and they put their signature to a paper and they are held fast to it. I do not accuse anybody of putting his signature to something without conviction or coming and voting here without honestly feeling for it. But, apart from that, grant them the credit for having spent so much time abroad—I do not agree with those persons who say that going abroad is all pleasure, it is a waste of time,—what do we find? Is it proper, is it Parliamentary procedure to invite some people from this House at the desire of the Executive, put them on board the ship, take them far away, have them talked to by a body of experts, and then have the report of a Committee by which they are bound and they are held fast to those views in this House? I submit—and this we have come to realise now—that this is a gross breach of the liberties of the House if I may say so. I remember having read in the newspapers that when the Joint Parliamentary Committee was appointed, some one in Parliament objected to it. He said that this Committee was sitting with all kinds of Indian assessors; Indian colleagues and others and the British Parliament was being threatened with loss of liberty. I now fully appreciate the significance of that remark. We feel that by having some of us taken away—it does not matter who they are—and being away from living contact with the people who are going to be affected by this measure and not being fully apprised of the significance of some of these things and not having the time or the opportunity for this purpose, we are in real danger of losing a good deal of our liberty of action. That, I fear, has been the effect of the London Committee. When our friends say they are being accused of improper conduct in having lent their signatures and then asked to resile from that position, I say the position is really this. If you go to London for a Committee to lend your signature and lend your support to a certain report, either you stand by it or you do not. If you have been convinced, then you have been convinced outside this House for which you have no right to be convinced without your followers being convinced. What right have you to be convinced outside this House? The House should have been convinced along with you there. My Honourable friend, Mr. Ranga Iyer, said that these representatives who went to London not only represented this House, but also the country outside. I say, I do not subscribe to that proposition. It is well known how people managed to get invited, and how they went to London is a matter which I need not probe into now. With regard to this, my Honourable friend, Sardar Sant Singh, had put several questions and they were answered in the House. I leave it at that. It is well known whether people manage to get invited or whether they were elected by this House. They were representatives in a sense. My Honourable friend gets up and tells us that nobody ever repudiated their doings. He said: "You people have managed to get into a rump of a Party and still you have not secured the second position". May I respectfully point out to him that he was the Leader and some of us were also there and why has that Party disappeared? Does it not show that something serious has happened? Here are our friends of the Independent Party, they find trouble brewing. There is no use disguising the obvious fact that some of these deliberations and happenings have contributed to trouble among the Parties

Mr. O. S. Ranga Iyer: I want to say

Mr. President (The Honourable Sir Shanmukham Chetty): But the Honourable Member is not giving way.

Mr. Jagan Nath Aggarwal: I am not giving way. I put it to my friend that there is no point in disguising the fact that those deliberations and those Committees have led to serious deterioration in the ranks of the Opposition. Can you deny that? Sir, I cannot. My Honourable friends, the Raja Bahadur and Mr. Sarma and Mr. Yamin Khan, and all their rank and file, have got up and said: "We have been functioning most normally and most efficiently". They are welcome to hold those ideas, but, so far as I can see in this part of the House, utter demoralisation has set in. From this, one has only to deplore these London Committees. By taking away people from this House it has led to a good deal of deterioration of Party discipline and organisation of Parties. Moreover, if I may say so, one regrets to find the real point missed in these discussions happening far away from the proper scene of action. For example, on a question like this, whether the Reserve Bank should be a State Bank or a Shareholders Bank, we were told that in the deliberations of the Committee this question was not so much as mentioned. It was only one solitary member who just timidly mentioned that he did not agree. On this question of State Bank *versus* Shareholders Bank we have had such long discussions inside the House and we have been flooded with vast literature outside and yet we have been told that in the London Committee they rejected the question in such a summary fashion. I submit the deliberations of the London Committee were not worth all the trouble of members going there and attending. We have for more serious work to do than this.

Coming to Diwan Bahadur Mudaliar, who spoke on this subject, he is quite welcome to hold his opinion that the deliberations of this Committee were so valuable that they have advanced the cause of self-Government for India. May I remind him with all earnestness that if the deliberations of the London Committee were of such a kind, it was certainly expected of them to have placed all those materials before the House. May I point out to him that, in spite of the able advocacy of the Diwan Bahadur, his rank and file do not stand by him on some crucial questions in a debate of this kind. Then, my Honourable friend, the Diwan Bahadur, turned his attention to my colleague from Lahore, Mr. Puri, and pointed out that he had indulged in such language in order to secure notoriety or a place in the newspapers. I think it is singularly unkind of my Honourable friend to accuse Mr. Puri of this. If I may say so, Mr. Puri did not at any stage of the Bill pose as an expert and did not intervene in the debate on such technical questions. He did not attempt to speak as one of those people who have an expert knowledge on these economic questions, and when my Honourable friend, the Diwan Bahadur, twitted him with all these, I think he was exceedingly unfair. Looking at these Committees to which our friends are taken away far from India and looking at their deliberations, I may be pardoned for saying, however much we may appreciate their services there is a growing suspicion in the country that, once the people have gone into these Committees, they desire to go over and over again on these Committees. I am not exaggerating and I am not in the least disinclined to give credit to people who spare their time to attend to these Committees in far off places. But my Honourable friend will pardon me for saying that we shall all be happy if these Committees are discontinued. In this particular instance, there is no point in having these Committees away from

the scene of action. This London Committee on the Reserve Bank Bill has definitely demonstrated that the utility of these Committees is very doubtful from our point of view. If one were to turn back and look at the result, one may safely say that the question of a Shareholders or a State Bank is subordinate in reality to the over-riding consideration whether the Bank can advance the national interests. This institution is a great instrument for good or for evil, and on the success of this institution the whole fate of the country in its various activities will depend, and the question before us would be if this institution, whether it is a Shareholders Bank or a State Bank, is going to promote the interests of this country—the real controversy which has been raised in this House at such length—and how far the Government of this country will ultimately be able to influence the decisions of this body. It is idle to pretend that the State or the Legislature should have no influence in the working of the Bank. When it is said that the Bank should be free from political influence, it means that the vagaries of party politics shall not affect the decision of this body. It shall be a body independent of the fleeting wishes of the party in power. Beyond that, to say that the Indian Legislature or the Government of India shall have no hand in the working of this body is throwing a real suspicion which has led to this controversy that outside influence in the working of the Bank shall be taboo. I am afraid on that point we have not been able to secure any solid achievement for the Bill as it came before us. That point remains where it was. And, what is more, on the question of the Bank having a Governor or a Deputy Governor or Directors who are independent, we have not secured any advantage. The Governor and the Deputy Governor can be removed by the Governor General and our desire to enthrone them in a position like that of the High Court Judges who are practically irremovable by any authority after appointment has not been achieved. If the Governor and the Deputy Governor are liable to be removed by the Governor General, then the position remains that they are in a subordinate position to the Governor General who is likely to be influenced by the decision of the Secretary of State or the British Parliament. Well, then, the position is that the Governor and the Deputy Governor will be susceptible to the influence of the Governor General. As I said, the whole idea was to secure to the Directorate of this Reserve Bank a position something like the position of the High Court Judges, because, after their appointment, they are irremovable by any body except by an address by both Houses of Parliament, a practical impossibility in practical politics. The position which has been achieved is that the Bank remains open to influence at the other end, though it may not be open to influence at this end. Let us hope that even in working perhaps these conditions will turn out better than we apprehend them to be.

There was a good deal of discussion with regard to the limitation of shares and the amount of holding that anybody can have. On that point all that we have been able to achieve by way of amendments, in spite of the best efforts of our Honourable friends, Dr. Ziauddin Ahmad and Sardar Sant Singh, was practically nil. But, Sir, it is idle to pretend that we are satisfied with the result of our achievement, when, in spite of 280 odd amendments, we have not been able to carry more than one or two. But it speaks volumes for the patience of the Finance Member that he did not use his majority,—to use Parliamentary phraseology,—did not

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apply the majority more often than he did and simply turned down the amendments and yielded in one place or two; and that is why I say that his ship has safely come to port without any serious knocks anywhere.

Then, Sir, the chief controversy raged round the question of the ratio and on that important point Mr. Sarma's amendment did not prosper nor did the other amendment relating to the 16 pence ratio; and, on that point, I am reminded of Sir Leslie Hudson's speech in the debate when he said that he expected members of the London Committee to stand by their signatures. Well, Sir, he has disclaimed any intention of imputing dishonesty to anybody, but the point is the one which I was trying to make before the House that, having signed that report and having put their signatures to it, they were expected to stand by it, and the difficulty was that the Leaders had practically given their opinion beforehand. They have been committed to a course of action before the debate had come on and that itself was a very undesirable state of things, because the measure came to the House when a good many of its Members had already given opinions in writing beforehand, and with that opinion the measure came to the House. Well, Sir, as things stand, we had a light thrown on various questions in the course of the debate. We had an interesting light thrown on the question of rural poverty by my Honourable friend, Captain Lal Chand, on this side and Khan Bahadur Abdul Aziz from that quarter of the House. Sir, I once mentioned that the Finance Department of the Government of India would be impervious to new ideas, but I stand corrected now; new ideas come from that quarter of the House. We used to have discussions on the problem of examination of public debt of this country; we have from that stage got on to the idea of repudiation of debts. Now, Sir, I deprecate any attempt at flirtation with such ideas. Any flirtation with the idea of repudiation of debts is simply to be deprecated. For this reason, Sir, if you talk of the idea of repudiation of debts, it gets into the air, and if it is repudiation of debt today by the agriculturist, tomorrow it may be repudiation of debts to England, and my friends on the Treasury Benches will not feel comfortable if that principle is going to be applied to them. I said I do not stand for the repudiation of debt, nor does public opinion outside honestly stand for any idea of repudiation of debt. Because once you start approbation of the repudiation of debts in Russia or in France or in Germany, that example is a very bad example and you cannot stop . . .

Mr. M. Maswood Ahmad: What does Mr. Gandhi say?

Mr. Jagan Nath Aggarwal: Mahatma Gandhi has never suggested any repudiation of debts and no responsible body of opinion has ever suggested that. All that they have claimed is an examination of debts which is a far different proposition from repudiation, and that is why I deprecate the attempt made by Khan Bahadur Abdul Aziz from that side of the House to say that the only thing left for the agriculturists is to repudiate debts to the tune of 900 crores which it is a sheer impossibility for them to pay, or my friend, Captain Lal Chand, that the only way to have a settlement of these debts is to have anarchy and civil war and for a couple of days to suspend the criminal law of the land. I say nothing of the kind.

Hon. Captain Rao Bahadur Chaudhri Lal Chand: The Government of India are solvent, whereas . . .

Mr. President (The Honourable Sir Shanmukham Chetty): Order, order.

Mr. Jagan Nath Aggarwal: It is neither here nor there; my Honourable friend's interruption means nothing. All that it means is that they have come to the stage of thinking in terms of sheer hopelessness. They have come to the stage of thinking that the agriculturist is in such a sorry plight that it is not possible to make him solvent. I am not of that opinion. The legislative machinery in this country, the executive interference in this country, is certainly not so far hopeless that you cannot save the agriculturist. It is only in recent times that we have found that the agriculturist is in a sorry way, but it is a far different proposition to say that the stage has come when the agriculturist may safely flirt with the idea of repudiation of debts. This is a far more important and serious proposition than has been realised by my friends who talk of repudiation, because a mere talk of repudiation means the upsetting of the credit machinery of the country for all time to come. And when you talk of repudiation of debts, you might as well talk of repudiation of all kinds of obligation. (An Honourable Member: "The law Courts also will go.") When repudiation comes, all laws will go and the law Courts will go too. I will be without my trade and my friends will be without their trades too, and all of them will go by the board. Therefore, we had all this interesting discussion showing only that the situation is regarded by some as so hopeless that they are prepared for all kinds of ideas as solvents of our difficulty. I do not think so, Sir. We found, during the course of the discussion, a number of times the position of the agriculturist brought up and mentioned. We all realise that agriculture has to some extent ceased to be a paying profession. A large number of our people are devoted to agriculture and, owing to the fragmentation of holdings, owing to the low prices of commodities, the agriculturist finds it very difficult to pay his way. But then the question arises, is it because of the accursed money-lender or cheap credit, or is it because of more expense than income from the land? The rural problem is to be tackled in that direction, and to blame the credit agency or cheap money is certainly not a solution of the problem.

In a way, Sir, so far as the Reserve Bank is concerned, we are glad that an inquiry has been promised or a machinery will be set up which will go into the question of the credit facilities to be afforded to rural banks and to rural societies, and I hope this will be all to the advantage of the country.

My friend, Mr. Mudaliar, was at pains to tell us that the progress of our country may very well be accelerated if we in Lahore talk to our representatives who went to the Round Table Conference to show that we deserve the reforms and that they did not put forward such ideas. We have taken stock of the situation and we have considered it more than once. But may I tell him that the ideas that emanate from Madras do not lead to any great progress in self-government or in constitution building? My friend himself is aware that the greatest breach in Indian solidarity also comes from Madras. Without having the Hindu-Muslim problem, they have a problem as between themselves which has been hard of solution all these years. It is no use recriminating amongst ourselves, and cloven hoofs appear everywhere. If Madras has its problems, so has the Punjab. We are no better or worse.

Mr. B. Sitaramaraju (Ganjam *cum* Vizagapatam: Non-Muhammadan Rural): You don't know Madras.

Mr. Jagan Nath Aggarwal: I know only this much of Madras that it has not presented any united front. It has not given us a solution of the constitutional problem. If we have the Hindu-Muslim problem, Madras has its Brahmin and non-Brahmin problem; and even though at the present time you may have the appearance of a superficial unity or of having bridged over the gulf

Mr. B. Sitaramaraju: That information is fifteen years old.

Mr. Jagan Nath Aggarwal: I have not been to Madras either now or 15 years back and, therefore, I do not claim any first-hand knowledge of what Mr. Raju says. But what is the kind of superficial unity you have got? I do not believe in any kind of superficial unity. You have differences in every province and nobody can come forward and say that we are the only people who have got differences and troubles, and they have none. Whatever else may be said, the contentions urged by our representatives at the Round Table Conference may appear odd in this place, but so long as we do not know really the full context in which all those speeches and suggestions were made, possibly in a state of despair as is very often the case, I do not think much can be made of those suggestions. Therefore, Sir, without taking much time of the House, I, in the end, congratulate the Finance Member on having safely brought this ship into port and the successful achievement of this measure which has taken the House and the country a long time indeed.

Sir Cowasji Jehangir: Mr. President, I rise to support the third reading of the Bill. Usually third reading proceedings are dull. Sometimes they are enlivened when the Opposition desire to make an attempt to throw out the whole Bill. On the present occasion, they have been enlivened by a speech or two characteristic of the persons who delivered them. Beginning from the end, may I be allowed to congratulate my Honourable friend, Mr. Aggarwal, on his speech, because he comes from and represents the same province as my friend, Mr. Puri; and it shows by its difference in tone and temper from Mr. Puri's effort that Punjab can produce just as well as any other part of India men with balanced minds and also unfortunately that Punjab can produce men of a different type. I congratulate my friend, Mr. Aggarwal, most sincerely on his having upheld the reputation of the great profession to which he belongs.

I will deal with one or two points raised by my Honourable friend. He suggested that it was a great mistake to appoint Committees which sat in London, but which had to deal with legislation which would have to be considered by this Honourable House. There may be two points of view on the appointment of such Committees: but when he went further and said that those Indians who go to England on such Committees are bound by their signatures and that when they speak in this House and vote in this House they are bound to express the same opinions as they did in England, he is only right to a certain extent, but may I point out that he is not right if he believes that the Members who went to England have on their return spoken and voted in a certain manner, because they were committed to certain views in England. No,—they do so, because they remain convinced that the conclusions they had arrived at in England

still hold good and they would have expressed the same opinions in this Honourable House whether they had been to England or not; I, for one minute, will not admit that if I had committed myself in London and if I found that after a space of two months circumstances had changed and that the conclusions I had arrived at in England were not in the best interests of my country (I will not admit for one minute), that I am bound to express the same opinions in this House; therefore, the argument against these Committees is to a certain extent not quite as sound as my friend, Mr. Aggarwal, tried to make out. That argument would only be sound if men were prepared to sell the interests of their country under any circumstances. If you carry that argument a little further, it would mean that no Member should anticipate a discussion in this House, should not consider and come to any decisions on any clauses in any Bill: he should not commit himself on any platform in the country if he happens to be a Member of this House. That is carrying the argument too far. Suppose there was a Bill introduced in this Honourable House by my Honourable friend, the Finance Member; suppose I had never been to England or sat on such a Committee; because I am a Member of this House, does it preclude me from agitating against that Bill before coming to this House? Does it preclude me from going on a platform and condemning it in anticipation of its coming before this House? Does it preclude me from trying to sway public opinion against the Finance Member outside the House before I come to this House? What do my Honourable friends mean when they say that we have bound ourselves down to a certain line of policy before we came to this House? We do it every day of our lives and we are meant to do it; we are meant to come to conclusions, definite conclusions sometimes, even before we come to this House. We may change those opinions, if the arguments of my Honourable friends here would tend to make us change our opinions, arguments which would convince us that the conclusions which we had come to were wrong. But if no such arguments are produced, we would not be true to our word, we would not be true to our constituency if we did not hold our own in this Honourable House whatever Puris and Aggarwals may say. Sir, so much for my friend, Mr. Aggarwal, and I will again congratulate him on his speech.

I will now turn for one minute to Mr. Joshi, who unfortunately is not here today, but who excused himself as he had some important appointment to keep. Unfortunately he was not present during the first reading and he did repeat a good many of the arguments which came from this side of the House and which he did not realise he was repeating. But there was one point that he placed before us which, I think, deserves to be dealt with. He stated that those of us who went to the London Committee forgot that we were there to guard the interests of all classes in this country and not only our own class. He did not go on to explain which class and whose interests we did not safeguard and to what class we belonged and to what class of people he belonged. I wish he had been here today to explain, even by an interruption, how we had disregarded the interests of what I presume he meant, the labouring classes, in this Reserve Bank Bill. I am at a loss to understand. But then he went on to say that this was also due not only to our fault, but to the fact that the Finance Member does not happen to be a service man and that because he came out from the commercial life of England or was it the political life, whatever it was, things were different than when Sir Basil Blackett was Finance Member, because he happened to be a member of the Home Civil Service—and, therefore, because the Finance Member

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was not a service man and we did not represent certain classes, some injustice had been done to some classes in India. Sir, that was a most extraordinary argument. Did my friend, Mr. Joshi, mean that in years to come when some Honourable Members on this side of the House will occupy the opposite Benches that the Finance Member should always be a service man? We have been urging upon Government, we have been agitating time and again, that of all the Honourable Members who sit opposite, the Finance Member should not be a service man, but he should be a man who should come out here with commercial and industrial experience. I do not know what my friend, Mr. Joshi, was driving at when he expressed that opinion, the logical conclusion of which can only be that in the future he would rather see a service man, whether he be an Indian or an Englishman, as Finance Member rather than a man from any other profession or calling.

Now, Sir, as to my friend who sits behind me, he has been soured due to his experiences with the Imperial Bank, soured perhaps due to his experience with more than one indigenous bank, soured perhaps due to the experience he may have had with his own directors, soured perhaps, because he shifted from one bank to another. Sir, I regret that my friend should have had those experiences, and I make allowance for all his criticisms which are due to his past experiences and may be unfortunately to his ill health, but all said and done, I do think, Mr. President, that he was justified in the remarks he made about a certain Party in this House which he only joined last Session—with what object I do not know. I leave it at that.

Now, Sir, turning to my old friend, Dr. Ziauddin Ahmad, I can only say, Mr. President, that mathematical training and mathematical education is supposed to make one's mind logical. There are, however, exceptions to every rule, and my old friend may be the exception which proves the rule, but nobody can deny his honesty of purpose, his sincerity, and, above all, the perseverance and energy that he brings to bear on any subject he handles, and I must give him credit for it. (Applause.) I said during the first reading that I had seen my friend burn the midnight oil. I had no opportunity of seeing him burn the midnight oil within the last three weeks, but I have no reasons to believe that he did not do so from night to night, and now, Sir, when it is Ramzan, and my friend has been without any food, it would be cruel for me to prolong the proceedings, as I would like him to go back and have a well deserved meal.

Sir, now I must refer to the speech made by Mr. Puri. I interrupted him and asked him whether we should not vote according to our convictions. Perhaps he did not understand the expression; he thought I was talking of convictions in Courts of Law. Now, Sir, the only convictions that my friend understands, the only conviction he has, is to go back and earn his fees; that is the only conviction he has in this House, and that is the only conviction he will ever have. How often has he been in this House? How often has he returned to his own Lahore to earn his fees? I would suggest to him that he better leave debates like debates on the Reserve Bank alone and devote himself to debates on certain estates that come before us for legislation

Mr. B. R. Puri: And sign their reports in London?

Sir Cowasji Jehangir: I would suggest to my friend that his energies would be better occupied—I have forgotten the legislation that came before us

An Honourable Member: Murshidabad Bill.

Sir Cowasji Jehangir: I would suggest to him to confine his attention to debates on Murshidabad and leave aside the debates on the Reserve Bank. That would be in keeping with his conviction of earning fees. Now, Sir, I am not accustomed to tell stories, but I am going to ask you, Mr. President, a riddle. My friend divided us into three classes, but he did not tell us to which class he belonged. I am going to ask you a simple riddle—when is a certain type of lawyer like a restless man in bed—when he lies on one side and turns round and lies on the other. That is the class to which my friend belongs,—unlike my friends, Mr. Aggarwal and Mr. Sant Singh, who come from his own province. Now, Sir, my friend talked of high class politics, he talked about his bounden duty to his country. The bounden duty to his country he has performed by frequently absenting himself from this Honourable House,—and he has given us an example of high class politics. God save us from such high class politics, and God forbid that Punjab should send more of such representatives to this Honourable House. Sir, my friend may get away with it in a Court of law, but he will not get away with it in this Honourable House.

Now, Sir, I have done. I only desire to conclude by saying that we all realise that this Bill is not a perfect one. It is not perfect, which it is not due to any fault of ours. There are restrictions placed upon us which we cannot obviate in this House. We have discussed *ad nauseam* the question of the previous consent of the Governor General in Council to further amend this Bill. Well, we cannot do anything with that. If that is one of the faults in this Bill, we are not responsible. My friend, the Finance Member, is not responsible. As to whether it should be a State Bank or a Shareholders Bank, it is rather late in the day to discuss. We are convinced that it should be a Shareholders Bank, and what is more, we have behind us in our convictions a large following in the country. Some of those who now support the scheme of a Shareholders Bank were in 1927 in favour of a State Bank; they have not sterilised ideas as my friend behind. Force of circumstances has made them change their views. Sir, I am not going into the painful little episode of whether we have been guilty of going back upon anything we signed in London. I am firmly convinced that Mr. Sarma's amendment was in keeping with the spirit of the Report, and I go further and say that, under the changed circumstances, the provisions in the Bill may not be in keeping with the spirit of that agreement, and I am prepared to argue that point anywhere, but I do not desire to say any more. As I said before, the difference was a difference of principle between the provision in the Bill and Mr. Sarma's amendment, that in practice it really made not much difference, after the clear assurances received in London and in this Honourable House that the insertion of the figure 1s. 6d. did not bind Government in any way between now and the time this Bill comes into force, but being convinced as we are that Government will find it very difficult to maintain this 1s. 6d. ratio whatever my Honourable friend, the Finance Member, may say, we were justified in supporting Mr. Sarma's amendment and I maintain that and I will continue to maintain that. Whenever I had the pleasure

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of going into the Government lobby, I did so, because I was convinced Government were right. Mr. President, I come from a family whose tradition has always been to be pro-British. I wish to maintain those traditions and I am not ashamed of declaring that I am pro-British, but whatever my Honourable friends may say, pro-British as I am, it does not prevent me on more occasions than not from walking into the lobby against the Government, and I will continue to do so whenever I think Government are not right. The charge of a friendly connection with Government is a charge I admit. I am not ashamed of it and if some of my Honourable friends contend that they should never go into the Government lobby, because they are anti-British, I leave them to their convictions and their conscience. I have nothing to do in this House with Government. If there is a question of loyalty, I am here to declare it over and over again, because I firmly believe that this link is more in the interests of India than of England, but to talk of this great question in connection with the question of going into the Government lobby or the Opposition lobby is ridiculous. Does my Honourable friend mean to contend that every time he goes into the lobby against Government he is going to prove to the country that he is independent? It only shows a slave mentality and inferiority complex. You go into the lobby which you think is the lobby that will serve the interests of your country regardless of whether it is the Government lobby or the Opposition lobby. The only lobby we know is the lobby that will serve the best interests of our country and maintain the connection between the two countries, India and Britain, for all times to come.

The Honourable Sir George Schuster: Sir, I must start with a confession. I rise to speak on this question in something of a holiday mood. I feel, Sir, that this debate has shown us that the issue can be in no doubt, and that I can look forward now to the termination of a long period of labour. Therefore, I feel sure that the House will not expect from me a long speech, nor a speech which will make any attempt to rival in eloquence some of those to which we have had the pleasure of listening today. I think my first duty is to express my thanks to all those who have worked with us in the evolution of this measure and, in expressing those thanks, I include almost every one in this House. If I were to mention classes, I would start by thanking those Members of this House who served in the first stage on the London Committee. I have so often expressed my appreciation of their work that I think I need not add to those expressions on the present occasion; but if out of those Members I were to select any for special mention, then, I think, I might fairly select those who have been through the double ordeal of fire and served not only on the London Committee, but also on the Joint Select Committee. Sir, they have done me specially great service, and I submit, also, to their country. It is perhaps a matter of regret that with one of them I should have had on one matter a serious difference of opinion, and I also regret that my Honourable friend, who has just spoken, should have referred again to that matter in his last speech. But, Sir, I can console myself with this reflection. This, after all, is a materialistic Bill. We are dealing with hard material facts and my disagreements with my Honourable friend seem to have been confined to spiritual regions. (Laughter.) Perhaps we may leave it at that.

Now, Sir, a good many speakers, in fact, I think all speakers today and yesterday with perhaps only one or two exceptions have been specially

kind in their personal references to myself and, if I may start with the first speaker of all, my Honourable friend, Mr. Vidya Sagar Pandya, I should like to express my special thanks to him, for, after all, as he has said, he was my chief opponent and he has seen the views for which he fought so hard practically all rejected. Sir, I am not concerned with anything that my Honourable friend might have said as regards his relations with his Party. I would only like to say this, that my Honourable friend worked really hard and has done extremely valuable service. He has taken the trouble to collect information from all quarters and even if some of his views may have been formed seven years ago and remain unaltered, I think it is fair to say that everything that he has put forward has been put forward on its merits as a banking proposal and has not been influenced by any other consideration. Sir, I hope my Honourable friend feels that his hard work has not been entirely in vain. It has been useful to us and many of the documents that he has quoted will be of value to us in the future.

Then, I had previously intended to fulfil my promise of administering a pill, not sugar-coated, to my Honourable friend, Mr. Puri. But after the course of the discussion I feel that the treatment which I should tender to him should rather be that of the good Samaritan and that I should salve his wounds! I do not think that my Honourable friend can stand another pill. (Laughter.) I would only like to say that the spirit of his speech seemed to be one born of suspicion, and if there has been any difficulty throughout these discussions, it has always—so I have seemed to find,—been based on suspicion. And I have been extremely glad to find—I hope I am right in this—that as our discussions proceeded, that as Honourable Members understood the measure better and as we came to understand each other better, those suspicions did seem to die away, so that I think that now that we are reaching the final stages of this Bill, we are more in agreement, and even our enemies and critics are more reconciled to the result, than they have been at any stage of the discussions before. I think the spirit of this debate illustrates that and I think, Sir, that that is an exceedingly happy result.

Now, it will be impossible for me to make references in a short speech to all those who have spoken today. But obviously any speech on the Reserve Bank Bill, any speech referring to the course of the debates is incomplete without a reference to my Honourable friend, the learned Doctor. (Applause.) Sir, my Honourable friend has enlivened our debates by many flights of fancy, and one of his happiest touches was in the opening stages when he referred to this Bank as what he called a *nimboo-nichor* Bank. Sir, I am afraid I have reached the conclusion that if there has been one who has been *nimboo-nichor* in these whole proceedings, it is my Honourable friend. (Laughter.) Why do I say that? Because my honourable friend, having given a few moments' thought, having interjected a few remarks into this debate, suddenly became the possessor of seventy ready-made amendments. (Laughter.) I think he will admit that that is a very correct application of his metaphor, and the House, I am sure, has not forgotten its amusement when my Honourable friend offered me those two enormous files this morning and when my Honourable friend to his right had to get up and tell him that they were not his property. (Laughter.) Sir, my Honourable friend has accused me either of not answering his arguments, or of using fallacies unknown to John Stuart Mill when I did so. I have little doubt that my Honourable friend would give much material for thought to that worthy

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logician if he were to visit India today. One fallacy which I am sure John Stuart Mill never contemplated, and which I may have had to employ, is the fallacy of *argumentum ad Ziauddin Ahmad*. (Laughter.) Sir, I would like to ask you to give a ruling as to whether a fallacious argument given in answer to a fallacious argument is really a fallacy. (Laughter.) If you should rule in the affirmative, I am afraid I must plead guilty to having uttered many fallacies. Now, I am sure, my Honourable friend would not require me or expect me to deal in detail with those points which he brought up again at the last stage. I have never been quite able to follow his calculations as regards our metallic reserves, but I should be very glad to discuss the matter with him in some more quiet atmosphere.

If one may review the main course of these discussions, I suppose that apart from the ratio issue, which I hope is happily dead, apart from that, the two main issues which have exercised the minds of Honourable Members are the question of a Shareholders Bank *versus* a State Bank, and the question of the Governor General's special powers. If I might take as representative the speeches of my Honourable friend, Mr. Vidya Sagar Pandya, and his mouthpiece in the later stages, my Honourable friend, the learned Doctor, they have put before us a very gloomy picture as to how a Shareholders Bank would work in India. Now, I have always felt that there is a very great deal in what they have said in that respect, in this sense that we are making a great experiment in India. We cannot say that India has anything to correspond to what one describes as "city opinion" in London, and it is city opinion on which the position of the Bank of England is mainly based. All that will have to be built up; but we have felt—and I do not want to repeat the argument at length as I have used and dilated on it so often—we have felt that the only way to break from the present position of Government control in matters of currency is to make a clean break and try this experiment of setting up a Shareholders Bank. It is for that reason that we think that the experiment has got to be made. But whether it is going to be a success or not really depends entirely on Indians, and here I want to make a special appeal to the Honourable Members of this Legislature. We have here now a body of men, a fairly numerous body, who have made a very special study of this subject and who, without very much previous technical knowledge in most cases, have mastered the real issues involved in this Reserve Bank Bill in a way which, I hope they will excuse me for saying it, I have found remarkable and at the same time gratifying. Now, those Honourable Members, who have been through these discussions, who know the dangers, who know what the real features of this Bill are, can do very valuable work in educating public opinion on it, and in preparing for the setting up of the Bank and helping to ensure the result that we must all desire, namely, the result of getting a really representative body of shareholders who will take an interest in the affairs of the Bank. That, Sir, is a task which I feel sure Honourable Members can perform with great service to their country. As to the other point, the question of the Governor General's powers, that perhaps is not so much a matter for argument as for judgment. I should only like to express my own personal view. I feel that in the future many Honourable Members who have criticised those provisions will live to be extremely grateful for them. I have always myself been a believer in giving great powers to the Governor General in this matter of selecting men who would fill the chief appointments. I

must confess that I was even against the compromise that was reached in London which brought in the Board of Directors to a share in making recommendations. I believe that the Governor General will be the best man to make good selections and I do trust that Honourable Members will visualise the future as one in which the Governor General will be exercising all these powers in the interests of India and India alone.

That, I think, is all that I need say on the measure in this last debate. As I have said, we are now approaching the end of our labours. It has been a period of long and strenuous work and, looking back upon it, I certainly can myself say that it has not been a period devoid of pleasure. It has been a pleasure to discuss these matters with the Members in this House, and to find in our discussions in the Select Committee that everyone was trying to get down to the merits of the measure and to eliminate all irrelevant political considerations or considerations of other kinds. I do think that this House has done well by this measure.

My Honourable friend, Mr. S. C. Mitra, said in one part of his speech that we on this side ought to try and encourage the development of a strong Opposition. Sir, I agree with my Honourable friend. It is to our interest to have a strong Opposition which deals with issues on their merits. And on one point we shall always be united with all the Members and every part of this House and that is in doing what we can to help them in maintaining the credit of this Assembly, and in enjoying the result, when the Assembly does do well, of its increased credit in the outside world. I believe that on the present occasion the Assembly by its attitude will have earned great credit and will have done a great deal to help the constitutional advance and the support of opinion in England on which so much depends.

Sir, this occasion has been referred to in one of its unhappy moments as an occasion for funeral orations. That is a most inappropriate description. On other occasions people have used metaphors from weddings and have spoken about new births. I think all those are perhaps inappropriate metaphors. I prefer rather to use the language used by my Honourable friend, Sir Muhammad Yakub. He said that we were laying today the foundation-stone for financial autonomy in India, and I believe that that is what we are doing. All these discussions as to whether it should be a State Bank or what should be the powers of the shareholders or the denomination of the shares are really details. This is the most important practical step that has been taken in the history of India towards the grant of financial autonomy to India. I do not think—as I have once said on another occasion—that many Members of this House have realised what a big step it is, or what courage or liberality—whatever you may like to call it—it has required on Government side to go ahead with this step. And the fact that we have made it a Shareholders Bank and not a State Bank greatly increases its liberality. That is the way in which this measure should be regarded. I hope that Honourable Members, when they go out now to their constituencies, will be able to present it in that light and will be able to distract public attention from all those side-issues which have detained us so long in these discussions, and make the country realise that here we are taking a real practical step towards giving India financial autonomy, and by so doing are giving to India a guarantee of the honesty of the intentions of the British Government in this whole programme of Constitutional Reforms. Sir, we have laboured honestly and hard. May we all live to feel that we have not laboured in vain. (Loud Applause.)

Mr. President (The Honourable Sir Shanmukham Chetty): The question is:

"That the Bill, as amended, be passed."

The motion was adopted. (Applause.)

Mr. President (The Honourable Sir Shanmukham Chetty): As was announced by the Chair this morning, Honourable Members may expect to be summoned again to meet on the 24th January, 1934. But, in the meantime, I wish them all a merry Christmas and a happy New Year. (Applause.)

Honourable Members: We wish the same to you, Sir.

Mr. President (The Honourable Sir Shanmukham Chetty): The House now stands adjourned *sine die*.

The Assembly then adjourned *sine die*.

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